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Agent Must Stop Being Office Manager, Become Sales Manager

By HOWARD J. BURRIDGE

Agents in cities and towns of every size are confronted with the rising tide of office detail. It is almost paralyzing in its effect. It has reduced noticeably the amount of time that agents find it possible to give to selling and prospecting. With every passing year, the writing of property insurance involves more details, procedures, rules and regulations. They are now so numerous and complicated that most agents are, whether they realize it or not, acting in the role of office manager or supervisor very much more than they are as a salesman, prospector, or conservator of business.

A discouragingly large number of agents today are representatives rather than salesmen. Whether willingly or not, they are engrossed in how the people in their offices are handling the business that they write or renew.

Agents who do not believe this to be true should ask themselves in all candor how much of their time each day is taken up with the non-productive matters of bookkeeping, correspondence, office system, expiration notices, collections, loss adjustments, visiting with field men, managing office assistants, and maintaining office morale. Any agent answering these questions frankly is forced to the recognition that he is acting as a representative of his companies rather than as a salesman for them.

Basic Situation The Same

When referring to local agencies, it is a mistake to generalize. They range all the way from the one man agency to those occupying one or two entire floors in a large metropolitan city. Obviously their office problems are dissimilar, but the basic situation is the same wherever a local agency may

be located or whatever its size. All of the writing and handling of the business is a much more complicated matter than it was even a few years ago.

Looking ahead, each agent must decide that he is going to move away from paper work and detail; that he is going to keep himself out of the office, "on the street," and that he is not going to allow the complexities of office detail to rob him of the time he has to spend selling and prospecting if his agency is to have future growth. Bookkeeping, policy writing, expiration notices, mechanized record keeping and all the rest of it, vital and necessary though they are, must be managed and supervised by experienced clerical associates rather than by the agent or his full-fledged partners responsible for selling and renewing business.

Every field man with a background

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Attorneys Debate Propriety Of Use Of Contingent Fees

Blanchet Elected President Of Insurance Law Group, Pledger Is President Elect

G. Arthur Blanchet, New York City attorney, was inducted as president of International Assn. of Insurance Counsel at the annual convention in White Sulphur Springs, W. Va. More than 1,000 attorneys and guests attended.

Named as president elect to take office next year was Charles E. Pledger Jr., Washington, D. C. Frank X. Cull of Cleveland and Herbert F. Diamond of New York were chosen vice-presidents. A. Frank O'Kelley, Tallahassee, was reelected secretary-treasurer. The 1959 annual meeting will be held at Banff, Canada.

Whether contingency fees are a bane or a boon to the legal profession and the American public was discussed at a half day open forum. Harry A. Gair of New York contended that contingency fees are a necessity in the liability field if the average claimant is to have his proper day in court. The expense of pressing a liability claim has grown to the point where most injured persons simply do not have sufficient funds to finance litigation, and thus could be deprived in many cases of the awards to which their injuries entitle them.

Mr. Gair said insurers use contingent fees to pay attorneys in subrogation cases and suggested it is economically less necessary in those cases than for the usual plaintiffs.

"The vast majority of casualties occur to an impecunious class of litigants," he observed. He criticized efforts to regulate contingent fees because this ignores the fact the attorney's entire practice is on that basis,

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Not Complying With Compulsory Draws Blast For Insurers

Joseph P. Kelly, New York state motor vehicle commissioner, this week charged auto liability insurers and producers with serious lack of compliance in the administration of the compulsory auto insurance law. Unless there is immediate improvement, he threatened to take disciplinary measures, including recommendation that the insurance department call hearings to determine if the "offending companies and agents" should not have their licenses revoked. He has already warned 19 insurers that they will be first on the list for such action.

Mr. Kelly charged that companies and agents are so negligent in sending to the motor vehicle bureau proper notice of new insurance for customers when there is a change in coverage, as from one company to another, that the bureau is compelled to make tens of thousands of unnecessary registration revocations. Many insurers and agents are not complying with a new regulation put into effect in May requiring five days notice to the bureau of new, superseding coverage. Many faulty certificates of insurance also are causing great difficulty. There has got to be a "radical improvement in compliance," he declared.

Organize Industry M-1 Committee

NEW YORK—The M-1 all-industry committee suggested by National Assn. of Insurance Commissioners to study ways of meeting statistical, rating and filing problems of multiple line con-

Va. Auto Risks Up 10%

State corporation commission of Virginia has allowed an over-all increase of 10% for BI and PDL effective October 1. National Bureau of Casualty Underwriters had sought an increase of 24.9%. The rise includes 8.3% for BI and 21.6% for PDL. Increases sought were 21.1% and 30.8% respectively. The commission outlined a formula for the higher rates which included a provision reducing production costs to 20% from 25%. These costs are largely comprised of agents commissions.

War Risk Cargo Rates Withdrawn In Near East

American Cargo War Risk Reinsurance Exchange has withdrawn war risk rates on cargoes to and from Iraq and Jordan effective July 16. This leaves marine underwriters free to set rates on each cargo in the light of conditions at the time of application.

The maritime administration has extended war risk binders in effect on June 30 on ships and crew members and covering liability, from Sept. 7, 1958

tracts was organized here at a meeting at which J. Raymond Berry, general counsel of National Board, was chairman. Mr. Berry and Vestal Lemmon, general manager of National Assn. of Independent Insurers, were given the task of setting up the committee.

After the committee was formed, the group organized a working committee of smaller size, which promptly went to work and got through a good deal of the preliminaries, down to deviations and independent filings. The working committee will meet again July 25 in New York. This group has not been finally constituted because the producer groups are deciding who will represent them.

One of Pittsburgh's oldest general insurance firms has been cited for achievement in personal insurance. A plaque recognizing the firm's outstanding service to clients was presented to Howard M. Mulert, left, vice-president of the Justus Mulert Co., by Vice-president Stuart F. Smith of Connecticut General Life. The award to the Mulert agency was made at a luncheon at Connecticut General's home

office. A grandson of the founder, Justus Mulert, Mr. Mulert became vice-president of the 67-year old firm in 1953.



Problems, Opportunities Posed By Unusual Risk Shaped For Averages

No rose tinted future for the handling of the unusual risk in the American market is foreseen



Brice A. Frey

by Brice A. Frey Jr., vice-president of General Re. Speaking at a meeting of Indianapolis CPCU chapter, Mr. Frey said that American genius for mass production and business acumen, sharpened by the hone of free competition,

has created stable markets for the normal risk at the lowest possible cost.

But success in this respect contributes substantially to failure to provide a satisfactory solution for the unusual risk, he said. "We cannot deny that considerable obstacles are presented by our struggles with non-professional political price fixing and other regulatory problems."

However, Mr. Frey believes that primary U. S. insurance markets, in partnership with the domestic reinsurance business, have the financial strength and ability to absorb the unusual risk.

"There will always be underwriters with the will and the courage to practice their profession in such a manner that there will be a broad and flexible insurance market in this country," he declared—"markets well equipped to absorb and spread the legitimate risks,

usual and unusual, of the individual, commerce and industry."

Mr. Frey's discussion, in substance, follows:

Twenty years ago, when the OL&T liability business required a modest premium to pay for trips and falls, and the philanthropy of mail order houses was limited to the distribution of free catalogues, I looked at an inspection report of what was supposed to be a three family dwelling. In those days it made sense to spend a few expense dollars in search of an underwriting profit even in the case of an apparently innocuous risk. I was horrified to learn that rather than a three family dwelling it was a house of ill repute. After declining the risk with outraged indignation, I reported the incident to the boss. "Young man," said he, "sit down and think a minute. In this case it was not a question of being judgment proof, but practically claim proof—you just declined about the best liability risk you will ever see."

Learns Two Lessons

That incident taught two lessons that I'm old fashioned enough still to believe in this day when the basic problems of insurance are supposed to be solved on the one hand by the actuarial science of classification underwriting second guessed by rate regulatory authorities, and on the other hand by surplus line markets and umbrella, bumbershoot, and parasol excess contracts. The first is that

the underwriter's calling requires thoughtful consideration of each risk on its individual merits. The second is that the producer has the obligation to reveal to the underwriter all facts material to the risk.

Even when underwriter and producer function accordingly, the solution can be very difficult when it departs from the norm and falls in the category of the unusual risk.

Another OL&T risk involved a clerical office. A large American contractor formed a separate corporation to perform a job in the Far East. The foreign exposure was properly placed in the foreign markets, and this comprehensive policy covered only the stateside office. The section of the declarations pertaining to independent contractor exposure was completed: "If any, covered hereunder at manual rates."

Involved Considerable Blasting

The work in the Far East involved considerable blasting, and one can almost see how natural it was for a junior clerk to order dynamite shipped by three different powder manufacturers by different railroads all to the same point on the Jersey coast, thus creating an illegal and dangerous concentration. Although the policy PDL limit was only \$25,000 in those days, defense obligations were considered unlimited. When, in the middle of the night, two docks, three barges, and practically the entire personnel of the

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Tornados, Wind, Hail Again Hit Billings; Loss Near \$5 Million

Adding insult to injury, tornados, wind, rain and hail revisited the Billings, Mont., area July 2 and caused an estimated insured loss of \$4,963,750, according to General Adjustment Bureau. National Board has assigned catastrophe number 96 to the storm. Catastrophe number 94 occurred in approximately the same area on June 7. However, unlike the earlier catastrophe which covered a 300-mile area, catastrophe number 96, which consisted of two small tornado funnels, a cloudburst and hail stones, had Billings as the focal point and apparently did not extend more than 20 miles east or west of the city limits.

In the latest storm, the tornados tore off roofs, uprooted trees, broke off power and communication poles and destroyed the transmission tower of radio station GBMY.

In addition to the tornados, winds were recorded with a sustained velocity of 58 miles per hour and gusts of 75 miles per hour until flying debris made it necessary for the U. S. Weather bureau to abandon its station at Logan Field. The storm lasted approximately 40 minutes. The heaviest damage caused by the tornados was reported by GAB to be in the industrial area, one mile west of the city limits, the warehousing section in the heart of the city and in the Billings Heights residential part of town.

Damage consisted of glass breakage, both residential and commercial, including heavy loss of neon signs; serious damage to plants and shrubbery, complete destruction of signs and awnings in a number of cases and varying damage to roofing.

GAB estimates the insured loss attributable to the July 2 storm as follows:

Dwellings: Losses were about 9,250, averaging about \$375, with estimated insured loss of about \$3,468,750; mercantile buildings: 800, \$1,000, \$800,000; automobiles: 1,000, \$75, \$75,000; trailers: 400, \$300, \$12,000; stock equipment and personal property: 2,000, \$250, \$500,000.

Aircraft damage was confined to a small number of privately owned light aircraft parked at the airfield, and

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IAAHU Has 8-Point Program For 1958-59

An eight-point program of International Assn. of A&H Underwriters has been announced by President Gail L. Shoup, Lincoln National Life, Grand Rapids. He has called for:

1. A strong and sound position on legislation on national and state level.
2. A more comprehensive public relations program.
3. More sales of well-balanced coverages for all ages and occupations.
4. Creation of a new "Pulse Panel" to gather and disseminate data to guide companies, sales managers, general agents and salesmen.
5. An educational program to help salesmen increase income, prestige and usefulness.
6. A program development study to give salesmen more interesting, useful and potent meetings.
7. A more active membership by formation of more associations, by increasing the present membership, and by hard-hitting renewal programs.
8. A new model constitution for state and local associations.

Legislative program: The association will oppose the Forand bill and all similar legislation. The association is opposed to all state cash sickness bills on the grounds that more flexible and useful coverages can be furnished cheaper by private voluntary enterprise. The association will prepare a booklet for general distribution to help

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INTERVIEW WITH O'MAHONEY:

Interstate Commerce's Changed Character A Factor In Senate Insurance Probe

By HENRY HALLAM

WASHINGTON—Not only is efficacy of state regulation of insurance to be evaluated by the Senate inquiry headed by Sen. O'Mahoney but also the changed character of interstate and foreign commerce as compared with what prevailed when the McCarran act was passed in 1945, Sen. O'Mahoney told THE NATIONAL UNDERWRITER in answer to inquiries.

"Technological developments of the last 15 years, which have improved means of communication and transportation, have resulted in a complete business and commercial revolution," he said. "Interstate and foreign commerce is far more significant in all aspects today than it was when public law 15 was passed by the 79th Congress in June, 1945, and it has become steadily more difficult to preserve the public interest. This is particularly true with respect to insurance."

Recalling his earlier announcement that aviation, marine, and mail order insurance would be taken up first by the investigators, though not necessarily in that order, Sen. O'Mahoney said these are now primarily matters of federal, rather than state, jurisdiction and added: "I have no doubt that

this is what caused the president of the National Assn. of Insurance Commissioners, in a speech before the American Management Assn., to say that 'the federal government has a legitimate interest in what happens in the insurance industry throughout the land.'"

Sen O'Mahoney was asked whether he had in mind the possibility of amending or repealing the McCarran act. He indicated he did not now have either in mind, adding that at this stage the committee is just looking for facts. He also said the aim is "constructive."

"It is not designed to make headlines," he said.

The Senator said he did not know when the committee hearings will begin, but he hopes it will be before Congress adjourns for the session. Which of the three subjects will be taken up first will depend on how the evidence develops, he said. The committee staff has been working for some time in preparation.

He said: "I want to make sure that Congress and the public realize the meaning of this new field of insurance operation in which state jurisdiction is apparently not sufficient to protect the public interest."

Insurance, \$3,000; Damage, \$12,208

One insurer reports a woeful instance of underinsurance which came to life after the tornado struck Eldorado, Kan., in June. A homeowner carried \$2,000 on the building and \$1,000 on the contents. The damage was \$9,408 to the building and \$2,800 to the contents, which made insured a coinsurer to the extent of \$9,208.

The insurer reports that on several occasions it wrote the agent and urged the amount of the insurance be increased. At first the agent responded that he was too busy with other matters, including income tax, to comply with the company's request. After the insurer wrote again, however, the agent replied that he had gone to see insured, and insured did not want any more insurance. The insurer has not heard from the agent about the matter since the tornado.

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Taylor To General Accident To Head Fire, Other Units

General Accident group has appointed Lee W. Taylor assistant general manager of General Accident and has elected him secretary of Potomac and Pennsylvania General. Under the general direction of Deputy General Managers Clarence L. Brearly and John T. Orr, Mr. Taylor will have executive supervision and responsibility for the underwriting activities of the group's fire, multiple peril, inland marine, burglary and plate glass departments.

Present Views Of Producers, Companies At Los Angeles Insurance Day Festivities

Production cost allowance was the topic of a panel discussion at Los Angeles Insurance Day, featuring James R. Deering, president Deering-Messerie Co., former president of Guarantee, and William B. Glassick, president Glassick Co. agency, and as moderator, A. N. Bushnell Jr.

Mr. Deering, speaking as a company man, told the audience of more than 500 that "the rates with which you are supplied are not merely the capricious determinations of your companies

but are honestly arrived at on the basis of facts available.

"Let me illustrate a few of the steps taken by the rate making bodies to develop the figures on which rates are based," he continued. "At the end of each quarter the bureau requests from each company information as to policies written and losses incurred during the previous quarter; as claims are paid, complete information is furnished the bureau and from this information the bureau compiles statistics as to average claim costs, frequencies, etc.; the bureau also gets information on March 31 and September 30 on all outstanding claims.

"The primary problems for agency companies writing automobile coverage arises, first, from difficulties inherent in pricing their products during periods of inflation or other changes; and the second main problem is competition from direct writers and their ability to select business and channel it into more profitable classifications with resulting detriment to agency companies."

Relate To Earlier Period

Concerning the first problem, he said that "from a practical standpoint the basic statistics upon which rates are based necessarily relate to a period considerably earlier than the period for which the new rates will become effective. For example, the current automobile liability rate level in California is based upon statistics for the calendar year 1956, which is on the average three years in advance of the expiration dates of policies written under the current structure.

"In addition to loss elements, the rate structure contains various provisions for expenses. It is assumed by National Bureau in the case of private passenger automobile liability insurance that losses, and allocated and unallocated loss expenses, represent 65.2% of the premium dollar, with the balance divided into production

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Va. Agents Pick McMurran As New President

At its 60th annual convention in Virginia Beach, Virginia Assn. of Insurance Agents elected G. Keith McMurran of Newport News president and Jay C. Litts of Norton vice-president and chairman, Hugh H. Coiner of Arlington secretary-treasurer, and J. Victor Arthur Sr. of Winchester state national director (reelected).

New directors are Richard L. Beale of Bowling Green, William Rueger III of Norfolk, William R. Walker of Richmond, Worthington Romaine of Petersburg, Robert G. Taylor Jr. of Lynchburg, Julian H. Rutherford Jr. of Roanoke, Julian C. Souder of Charlottesville, John G. Goodwin of Winchester, Kenneth D. Ashton of Arlington, and the retiring president, C. M. Flintoff of Suffolk.

Present Annual Awards

At the annual awards banquet the Richmond association received the B. P. Carter cup which each year is given to the local association that has done the most outstanding job in public relations, advertising, legislative work, civic endeavors and the like. J. Norvell Trice of Richmond accepted the award on behalf of the Richmond group. Stock Fire Insurance Field Club of Virginia awarded its annual trophy to Jack Neumann of Arlington for his exceptional contribution to the association in the field of public relations and advertising. Maryland Casualty's committee award went to the legislative committee of the state association for its outstanding job in actively helping the general assembly in preparing and passing the new uninsured motorist legislation. Ray M. Paul, chairman of the committee, Richmond, accepted the award.

A certificate of appreciation was given to the retiring president, C. M. Flintoff of Suffolk, and a silver gift was presented to Mrs. Flintoff.

Mr. McMurran is past president of the Peninsula association and long has been active in state association affairs.

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Mental Illness Plan Is Not New, Says G.E. Consultant

E. S. Willis, consultant on employee benefits of General Electric Co., has pointed out that the plan of Group Health Insurance, Inc. to extend its coverage to include psychiatric care, recently reported in THE NATIONAL UNDERWRITER, is not a pioneering move in this field.

Mr. Willis did not discount G.H.I.'s move to experiment with mental care coverage and said that the decision, in fact, was "commendable." On the other hand, he noted, it was not as revolutionary a step as might appear on the surface, and that other prior and, therefore, perhaps bolder experiments have already been attempted.

In order to set the records straight, Mr. Willis, in a letter to the New York Times, which recently congratulated G.H.I. in an editorial, said that in November, 1955, General Electric instituted its comprehensive medical expense insurance plan which included coverage for psychiatric consultation and treatment. Scores of other employers, taking their lead from G. E. installed similar comprehensive plans, he said.

Keeps Freedom Of Choice

Mr. Willis pointed out that the G. E. plan by itself covers approximately 750,000 individuals in the U. S., all of whom have complete freedom of choice in selecting their doctors and other providers of medical care.

The G. E. plan, Mr. Willis said, provides reimbursement for hospitals, doctors, drugs and nursing care in mental or nervous cases when an employee is disabled or when his wife or child is hospitalized. Early treatment is encouraged because the plan also covers psychiatric care where the employee is able to work or when covered dependents are not institutionalized.

As a control against over-use or abuse, Mr. Willis pointed out, reimbursement in non-disabling cases was initially set at one-half the expense incurred in order to introduce personal financial interest. In 1956, 3,500 employees were paid benefits for psychiatric care. Half of these were of the non-disabling type, Mr. Willis said.

Mr. Willis requested that recognition be given to the "real pioneering" which began years ago and which developed much of the experience available today on this type of coverage. He said that this was possible because, "employers working almost exclusively with commercial insurance carriers have been willing, in the interest of their employees and the public, to take the financial risk involved."

SEC Approves American Auto Filing Exemption

WASHINGTON—Securities & Exchange Commission has granted application of American Automobile for exemption from filing annual and periodic reports under the SEC act of 1934 and its regulations. SEC explained that all of the outstanding securities of American Auto are held on record and consist of 1,750,000 shares of capital stock, all owned and held by American. The latter is subject to the reporting requirements; and, under SEC rules, it must include appropriate financial statements of the subsidiary in its annual reports so long as the subsidiary remains a separate legal entity and the parent remains subject to the reporting requirement.

McMullen Is Pacific Coast Manager Of Nat'l Underwriter

Robert L. McMullen has been appointed Pacific Coast manager by the

National Underwriter Co. He is in charge of business in California, Washington and Oregon, with headquarters at 582 Market street, San Francisco.

Mr. McMullen, a veteran, graduated from Indiana University in 1950 and was employed for seven years by Pennsylvania Railroad in the freight sales department prior to joining the National Underwriter Co.



R. L. McMullen

Federal Mutual Elects H. G. Kemper President

Hathaway G. Kemper has been elected president of Federal Mutual, succeeding James S. Kemper, who remains as chairman. Other newly elected officers are John A. Mills, vice-president, and O. Cameron Moffatt, assistant treasurer.

Mr. Kemper recently was elected chairman of two other Kemper group divisions, Lumbermens Mutual Casualty and American Motorists. He is president of another affiliate, American Manufacturers Mutual.

Mr. Mills, a native of Antwerp, Belgium, has been with the organization since 1920 and currently is manager of the group's statistical department. He is vice-president and actuary of Lumbermens, American Motorists and American Manufacturers. Mr. Moffatt is head of the companies' fire division accounting and statistical department. He is treasurer of American Manufacturers.

Leaving Geo. F. Brown Aug. 1 To Form Agency

Ralph D. Schley, production manager for Geo. F. Brown & Sons, and agency supervisor and assistant vice-president for the two companies which the agency manages—Interstate F&C and Chicago Ins. Co.—is resigning Aug. 1 to form his own insurance agency. Mr. Schley, who will represent both of the Brown agency companies, is also an attorney with a doctorate and a member of Chicago and Illinois state bar associations.



Ralph D. Schley

Agency Marks 35th Year

R. H. Gore Co. agency of Chicago is celebrating its 35th year since incorporation in 1923. The agency has always been at the same location, 209 South LaSalle street.

The agency actually began business in 1919 under the name of Luther

Springston and subsequently was changed to Fitzmaurice, and finally changed to R. H. Gore Co. in 1923.

Attorney General Thornton of Oregon has ruled that a company can combine both life and medical expense benefits in one policy in that state.

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Sees Health Care As Of No Aid To Those Who Need It

WASHINGTON—Proposals to add hospital, medical, nursing-home and dental care benefits to the social security system would not solve the immediate problem of assisting the presently aged who cannot meet their health care costs, would boost social

security taxes to unreasonably high levels, and would represent a major departure from the original concepts of social security.

These reasons for opposing the proposed changes were cited by E. J. Faulkner, president of Woodmen Accident & Life, on behalf of Health Insurance Assn. in his testimony before the House ways and means committee. He pointed out that voluntary health insurance programs are making great strides in taking care of the health needs of almost all elements in society, including the aged, and these

voluntary insurance methods should not be hampered or destroyed.

Substantial Number Have Means

A substantial number of those over age 65 have the means to meet health insurance costs, and those who are experiencing the greatest difficulty in meeting their health care costs are to a large extent those who are not eligible to receive social security benefits. Mr. Faulkner noted that the various proposals before the committee would not ease the financial burden of this group. He urged, as an alternative,

further and more adequate federal financial participation for the benefit of the aged in the "vendor payments for medical care" program. This program, because it is restricted to persons qualifying for public assistance, will define and reach those aged who have the real health care costs problem, he said. It has the advantage and economy of matching state and federal funds and of local administration on a needs and means test basis.

Unlike adding a permanent and constantly more expensive program to social security, improvement of medical vendor payments for the aged indigent can be flexible, subject to contraction and elimination as the proportion of aged people with health care cost problems diminished over the years because of the expansion and perfection of voluntary insurance, he pointed out.

First Year Cost \$2.1 Billion


Discussing the cost of providing health benefits for all social security beneficiaries, Mr. Faulkner estimated the first year's cost at more than \$2.1 billion, with this figure increasing substantially in future years. He also said the level premium cost of these benefits alone would amount to 3.025% of taxable payroll.

"This cost is many times greater than the 1% of taxable increase in social security taxes proposed by the bill to provide these benefits and all of the other benefits of the bill," Mr. Faulkner commented. "Obviously, were the bill enacted the initial tax increase would have to be larger than the bill provides. The level premium cost of presently provided social security benefits would push the total necessary payroll tax expressed on a level premium basis to 11.275%, a 37% increase. And this would be but a beginning because there would be continuing proposals for extension of health care benefits culminating probably in an all-inclusive compulsory health insurance system."

Discussing the effect of superimposing these new proposals on the basic social security system, Mr. Faulkner asked:

"First, do we no longer believe that the individual is capable of budgeting his income or allocating his resources to meet the several necessities of life including payment for health care or insurance to provide it?"

"Second, if we feel that the OASDI recipient is incompetent in the health care field, would we not also be justified in concluding that he is equally deficient in his ability to budget for food, clothing and shelter and that the social security system should do this for him?"

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Financed Auto Insurers Having Difficulties, Too

Financed auto insurers are having their difficulties, too, these days, S. Arch Richards, vice-president and manager of Olympic and Marathon, the Pacific Finance Corp. insurers, indicated in his talk to Consumer Credit Insurance Assn. at its annual meeting in White Sulphur Springs, W. Va. The problems in auto physical damage market are becoming increasingly difficult and are growing in number, he said.

The chief concerns of a finance company in connection with the insurance is to get a market, produce business, underwrite it, adjust losses properly, and maintain good statistics, he said.

If the lending organization has the money and wants to take on the risk of owning its own insurer, he observed, it has the sole right and privilege of dictating a general policy of objectives, methods of operation, commission, etc. Or it may secure representation in an agency company, which will pay the financing firm a guaranteed commission through an agency it may own or control, or the business may be placed through an outside agency. Commissions, he said, are bound to be reduced. There is also, he added, the partial guaranteed payment with a retrospective plan based on a pure earned loss ratio, and the retrospective plan.

Business Expectation Down

If the financing company has an insurance market, the next thing is to produce the business. Many years ago an insurer connected with a finance company could expect to write policies on approximately 98% of all the contracts processed or loans made. In the past decade that figure has receded to a point where in some instances it is below 50%, he said. There are many reasons for this: The activity of local agents' associations, merit rating or cut-rate companies, anti-coercion legislation, and failure of the person making the loan or sale to sell the purchaser or borrower on getting his insurance at the same time he borrows money on his collateral.

The implication here is that the finance insurer will be left with the poorer business, and this must be watched carefully, he advised. Selling PHD insurance requires knowing the product. This job is rather easy because the policy is a simple, three page piece of paper. Yet, there are

those who represent Olympic and Marathon trying to sell a product without knowing what it is.

Thus, he advised, the first step is to educate the loan man, or the salesman, or the person making the initial contact, on the merits of the product so that he can state quickly and accurately exactly what he is selling. Mr. Richards' finance company has a canned sales talk and requires that its salaried employees who make contact with the public know the talk so well that it will sound original.

The mortgagee, or mortgagee interests, can make a good sales presentation, he declared. The mortgagee is right in the boat with insured. They have a joint interest, and it is to the mortgagee's benefit to see that insured's interests are protected in every possible way. "In controversial losses, influence may be brought to bear by the mortgagee where an indi-

(CONTINUED ON PAGE 18)

La. Direct Action Law Unenforceable In New York Courts

New York court of appeals in the case of Morton vs. Maryland Casualty unanimously has refused to give effect in New York to a Louisiana statute which permits an injured party to by-pass insured and proceed solely and directly against the liability insurer.

Morton, the plaintiff, was injured in an automobile accident in Louisiana. The automobile was insured under a policy issued in Louisiana to a Louisiana policyholder by Maryland Casualty. Morton brought suit in New York, relying upon a Louisiana statute which permits direct action against an insurer in certain specified parishes in Louisiana.

Sharp Conflict Existed

Prior to the decision by the court of appeals a sharp conflict existed between the state and federal courts in New York. The lower New York state court, by a divided bench, declined to enforce the Louisiana direct action statute. Shortly thereafter second federal appeals court in Collins vs. American Automobile, which involved a set of facts almost identical with those of the Morton case, held that the statute was enforceable in the New York courts. The New York court of appeals, by unanimously deciding that the Louisiana statute will not be enforced by the courts of New York, now finally has resolved these divergent views.

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Business That Never Started Collects U&O Loss; Other Unusual Cases Cited

In his talk on business interruption loss adjustments at the annual meeting of National Assn. of Public Adjusters at Atlantic City, Robert M. Morrison, Boston attorney, cited unusual examples of losses.

One involved a manufacturer who was setting up in his factory a separate operation to render a different service under a separate business

name, although the interest in this operation was covered under the policy. The installation of machinery had almost been completed, and the enterprise would have been operating within three weeks when fire destroyed the entire factory building. It would take a year to rebuild. Insured was able to recover for the estimated continuing expense of this new opera-

tion which had never started, and the profits which it would have earned, for a period of 49 weeks—the year's replacement time of 52 weeks, less the three weeks still needed to get the operation under way. It made no difference in this case that the factory was, in fact, never rebuilt and the new business never got started. Difficulties were encountered in establishing what would have been profits and the continuing expenses, but this was only a matter of factual proof since the right to damages was clearly established.

Mr. Morrison said it was a basic concept that where operations which are interrupted would not have continued during the entire period of the interruption, damages can be recovered only for the time that operations would have continued had no damage occurred. He cited an example, during a period of fuel oil shortages, when a plant had fuel for only three more days and a fire suspended operations for 10 days. If no additional oil could have been procured to resume business within the 10 days, then insured's recovery is limited to three days. In this case, there was a business need for the entire 10 days but the tools to produce were limited to three days.

The converse is also true, he continued. Suppose a plant is working on its only order, when a fire causes a suspension of operations. The suspension is for five months but the order would have been completed in two months. Recovery is only for the latter period. The tools of production were available for the entire five months, but the business need existed for only two months, Mr. Morrison explained.

Cites Interesting Case

He cited a case where the damage was caused by Hurricane Carol. The plant was out of total production for three weeks, and back in full production in 10 weeks. Among its products at the time of the damage were containers for the government. This part of the production got under way again after a seven weeks' delay. The government did not cancel the order, and delivery was completed within the following four months.

The question was raised as to whether there had been any business interruption loss. The entire contract had been completed, and the full price had been received, so there was no financial loss on the contract. On behalf of insured, proof was presented that there were additional government contracts promised after completion of the current contract, and that they covered production for the entire year following the damage. At all times production had been on a full time, three shift basis, so that no opportunity to make up for the lost time had ever existed in the year following the storm. Although the windstorm and business interruption losses were both settled on a lump sum compromise, so that this issue was never fully resolved, Mr. Morrison believed that this argument could have been maintained in any court.

This was a case in which insured had just started producing on a large government contract. It was a

(CONTINUED ON PAGE 16)

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U&O Needs Fluctuate Widely And Rapidly

"Points & Viewpoints," publication of the Jaffe agency of New York, comments that U&O values change rapidly. There are fantastic fluctuations in profits (and losses) that occur from quarter to quarter and even in months in some firms. This situation is not peculiar to big business; it affects small businesses as well; sometimes more so.

"The other day, within half an hour of each other, two brokers of ours picked up two separate accounts because the previous brokers didn't watch this," Mr. Jaffe states.

In one case a manufacturing firm had been in business a little over a year. Their sales amounted to \$18,000 in the first month of operation. The old broker sold them \$120,000 business interruption, which must have been based on a fairly optimistic estimate of future growth. He wrote a five-year, 5-pay policy and went to sleep on it. Sales in May reached \$70,000 and insured is confident of hitting \$100,000 a month before the

year is out. A conservative estimate bill to bring D. C. taxicabs under the local financial responsibility law. Without specifically requiring higher insurance coverage for cabs, this change in the law, officials say, would cause hackers to be responsible for the higher amounts applying to private motorists, namely 10/20/5. Presently cabs are exempt from the FR law.

Rep. Teague, chairman of a House D. C. subcommittee that investigated the cab situation here last year, and who has introduced a series of bills to raise taxicab insurance requirements and place them under the FR law, said he hopes to schedule hearings soon and to obtain passage of his bills this year.

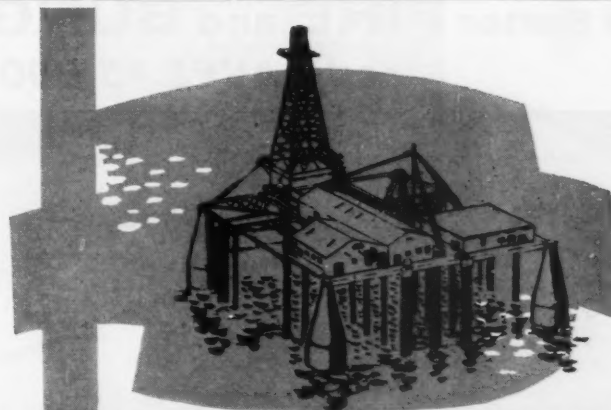
Business interruption needs demand projection into the future. Last year's statement is not enough. A prognosis for the ensuing year, for better or worse, is essential, as is a frequent check, Mr. Jaffe advised.

Would Apply FR To Cabs

WASHINGTON—A Senate District of Columbia subcommittee approved a

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Explores Dangers In Adjusting Procedure Which May Lead To Waiver And Estoppel

The speed with which the forms and practices of first party insurance have been changing in recent years may warrant scrutiny of many established concepts—in the hope of strengthening these practices where additional safeguards are indicated and of simplifying or eliminating over elaborate or unnecessary proce-

dures, Lester C. Lockwood, New York City attorney, told Loss Executives Assn. at its convention in Manchester, Vt. He discussed practices relating to proofs of loss and the part played by these proofs in claim settlements.

The so-called proof of loss—or, precisely, the "Sworn Statement in Proof of Loss"—is a creation of contract,

long established in the fire and marine fields in the U. S. As early as 1825 there was a case involving a policy of marine insurance which incorporated a provision making the submission of a sworn proof of loss a condition precedent to payment, and such provisions were undoubtedly in vogue long prior to that date. The case, *Allegre vs Maryland Ins. Co.* is also one of the early American decisions invoking the doctrine of waiver or estoppel to override a defense of failure to file a proof of loss or a defense based upon insufficiency of

proof where the company had previously rejected the claim. The opinion stated, among other things, that "the letter (of the insurance company) itself, is a plain unequivocal notification to the plaintiff that his claim for indemnity will not be adjusted by the defendants; and by necessary implication gives him to understand that all further offers of preliminary proofs would be useless."

Sworn Proof Is Rule

The practice of requiring a sworn proof by contract provisions is not universal even today, but it is certainly the rule rather than the exception, and is found in practically all standard fire policies, Mr. Lockwood observed.

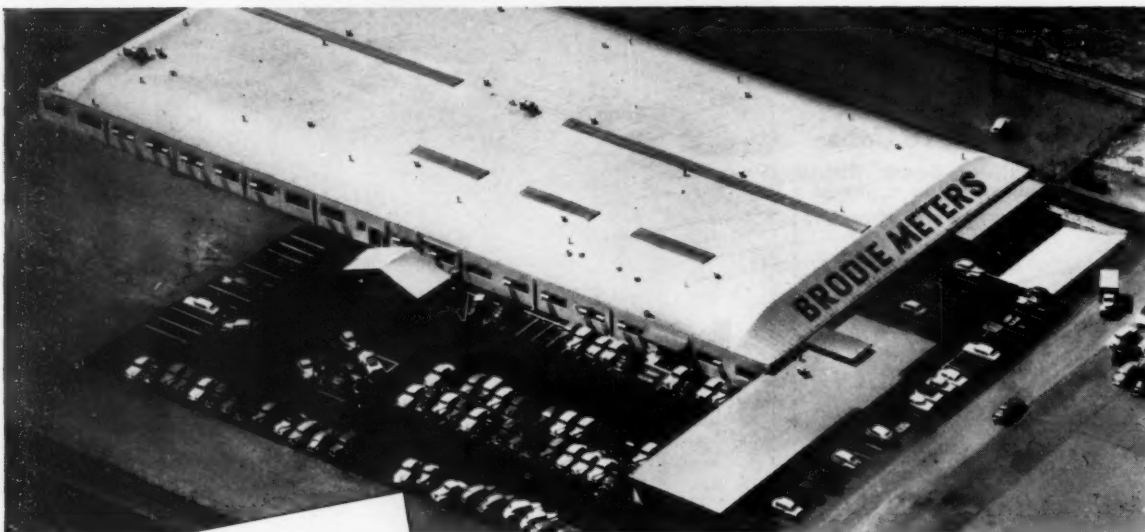
In using the wording, "preliminary proofs," the *Allegre* decision intimates that such proofs were to be submitted early in the course of the adjustment, and possibly also that they were not to be treated with the formality and inflexibility found in some present day practices. Thus, instead of culminating and formalizing the loss adjustment, as is so often the practice today, it appears the document was used more as a preliminary statement delineating the claim for the convenience of the company or its adjuster and from which the course of the adjustment could proceed within the limits established by the proof.

The proof of loss serves useful purposes, even under present practices, as a deterrent to fraud and as a summarization of the essential facts of the adjustment. Coupled with the 60-day requirement, it also helps to put a time limit on "open losses." These are all valid protective devices expediting the handling of a volume of losses at a minimum of cost which function well in a vast majority of claims. Occasionally, however, overzealousness, has, in the past, made the proof of loss provision an instrument of abuse and a means of escape from moral, if not legal responsibility. Unfortunately, he commented, it was this exceptional situation which most frequently found its way into the courts and there generated such antipathy to defense predicated on the proof of loss provision that courts in general leaned over backwards to find excuses to relieve insured of any forfeiture arising therefrom.

Scrutinize Factual Situations

In this endeavor, it was to the principles of waiver and estoppel that the courts most frequently turned. All sorts of mental gymnastics were resorted to and factual situations were closely scrutinized to find ways of avoiding a forfeiture. The least slip by the adjuster was seized upon—or, if there was no slip according to the principles of the decided cases, a new variation was added which again put the onus upon the activities of the adjuster. It is small wonder that the

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seasoned adjuster is a veteran in legal maneuvers, well able to scent a situation in the making where utmost caution is indicated, he said. His ability to function normally on run-of-the-mine losses, with this constant danger of having his actions seized upon as an excuse for avoiding a proper defense, is, a great tribute to his flexibility and diplomacy. To him, little can be said here which he has not already encountered first hand. To the young adjuster, however, the pitfalls of others may help him to so conduct himself as to minimize the effect of his previous actions, when he suddenly comes to the realization that he has a controversial loss on his hands.

In most jurisdictions the wording of the contract is of little importance in the realm of waiver and estoppel in respect to things to be done subsequent to loss. Also, the usual policy provision requiring any waiver to be in writing has been held to apply only to the provisions and conditions of the policy itself. This makes the situation one of oral testimony wherein it is the word of the adjuster and his corroborating witnesses against the word of insured and his witnesses which the trier of the facts must weigh to permit the court to determine if there has been a waiver or estoppel. The adjuster's denial of the alleged conversation with insured may do little good unless he happens to have something in writing more persuasive of his version than that of insured's.

Situations Are Varied

The situations considered by the numerous decisions on the subject are so varied as to cover almost any conceivable set of facts wherein insured could claim that he believed, as a result of the conversation, that the claim would be paid without the necessity of filing a proof, or that it would not be paid no matter what proof he might submit. (Some importance attaches to whether the conversation is claimed to have taken place before or after the expiration of the 60 day limit. But this distinction touches upon the distinction between waiver and estoppel which we will go into in a moment.) As to conversations alleged to have taken place during the 60 day period, courts have held that the mere entering into adjustment procedure, particularly where the adjuster procures the information which would ordinarily be incorporated into a proof, will suffice to waive the filing requirement. Waivers have been found on admissions of liability and on denial of liability, upon promises to pay or to adjust or to settle and upon conditional promises. They have been found from agreements as to amount of loss, from agreements to consider insured's proposed figures and from company elections to repair or replace.

Letter Might Be Helpful

A letter to insured couched in such language as to dispel any thought that the proof was to be waived, might be helpful, Mr. Lockwood suggested. This might confirm the first meeting and set forth what was expected of insured. Such a letter would, of course, be no substitute for a demand that a proof be filed in states like New Jersey, New York, Massachusetts and Vermont, where there are statutory requirements for a demand.

There are, of course, other reasons than the requirement for filing proof as to why insured's attorney might resort to waiver or estoppel to support a claim. These have included instances where activities of the adjuster have

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been urged as a waiver of company rights involving breach of warranty, deficiency of title, and even the amount of damages. At least one case involved a defense based upon insured's refusal to appear and be examined under the terms of the policy—the court holding that a previous denial of liability excused further compliance with policy conditions. As to what constitutes a denial of liability, one court inferred that mere inaction might be taken as some indication that the company did not intend to pay.

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"waiver" and "estoppel" interchangeably and even the Supreme Court found little distinction in the terms when used in conjunction with our subject matter. Some authorities have defined "waiver" as a voluntary abandonment of a right requiring no consideration, and "estoppel" as a preclusion by an act relied upon by the other party. As a practical matter, "consideration" in some form can usually be found, even in those decisions ostensibly resting on "waiver." One might use "waiver" in speaking of the relinquishment of a right pre-existing

in point of time the acts alleged to constitute the waiver; and use "estoppel" in speaking of a bar arising out of the activities of the parties, he suggested. However, there is a real distinction between the two principles as is demonstrated by the fact that courts generally have been considerably more prone to invoke one or the other of these principles where the activities upon which they are based took place within the filing period than where they took place after the period had expired. This would lead to the view that the necessity for con-

sideration or detriment was an influencing factor in a majority of the decisions.

Adjusters Are Concerned

There is said to be considerable concern among company adjusters lest some conduct of theirs result in prejudicing the position of the insurer. Possibly this has been overemphasized, Mr. Lockwood commented. But if the concern exists at all, what is the real harm resulting from establishment of a waiver or estoppel? In the matter of a waiver of the right

May Is Aetna Casualty Assistant Secretary

Aetna Casualty has advanced John W. May from superintendent of the general accounts department to assistant secretary. He joined the company in 1954 after prior experience with private auditing firms.

to a proof of loss, the insurer has lost its right to a statement under oath—at least so far as to have it incorporated in the proof. But this would ordinarily leave the right to examine insured under oath on all matters usually incorporated in the proof. There is, of course, some advantage to be gained by examining after the proof has been filed—particularly where there has been serious overreaching by insured. However, some decisions have indicated a more elastic concept of the proof of loss and a return to early practice of treating it as a document susceptible of correction for honest, inadvertent errors therein. Such a concept would, to a degree, minimize any advantage of having the proof in hand prior to the examination.

Waiving other rights or defenses under the policy is much more serious, he said. In addition to the waiver of the right to examine, courts, in extreme cases, have gone so far as to find a waiver of the time for suit and other standard policy provisions.

Care Must Be Used

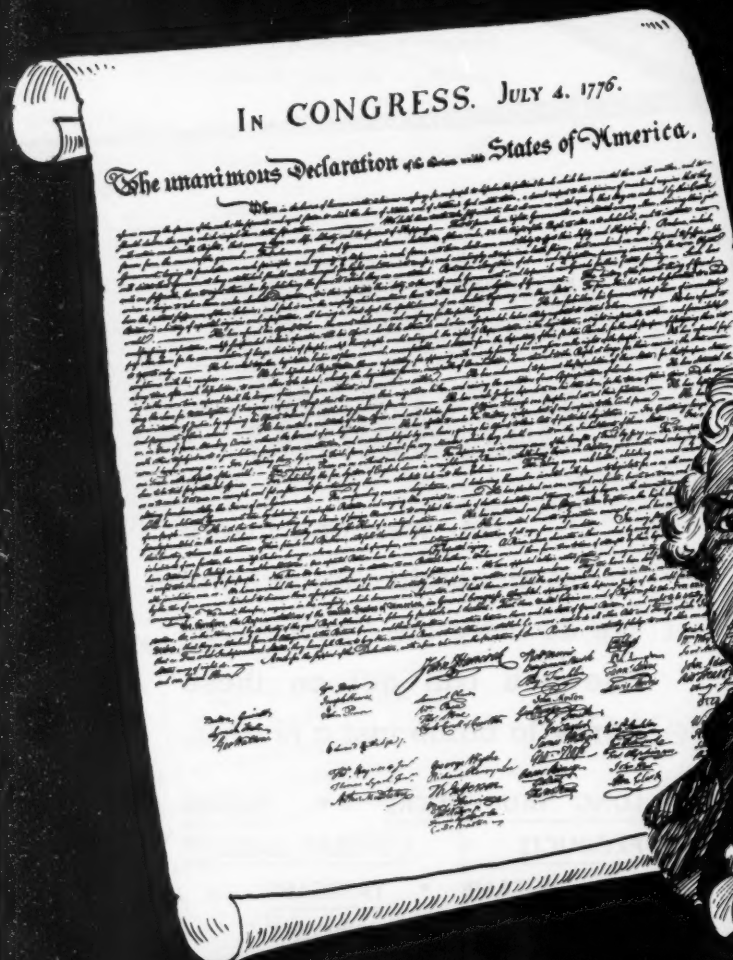
The doctrines of waiver and estoppel are ever present possibilities, and the utmost care and good faith must be exercised by the adjuster if he is to avoid misleading or giving the appearance of misleading insured into believing that the loss will be paid in due course, particularly where he knows or should know that there may be a question as to liability or a serious dispute as to amount. He cannot remain silent or ask insured to go to trouble and expense in perfecting a claim when he already knows of good reasons why the claim will be questioned, Mr. Lockwood declared. He cannot enter into discussions as to the amount of damages under these circumstances without a clear understanding as to the limited purpose of the discussions.

Non-waiver agreements serve a useful purpose where they can be procured without unduly disrupting the relationship between adjuster and insured as do agreements as to value and loss. However, such agreements can have repercussions. The very suggestion that such an agreement be entered into may make insured overly wary and a refusal to proceed with the adjustment without such an agreement might conceivably be treated as a denial of liability.

Mr. Lockwood suggested that consideration be given to some means by which the advantages of the non-waiver agreement could be made available on all losses from the very outset. It might be necessary to get away from the present formidableness of such agreements. Incorporating the non-waiver idea into a form letter to be delivered to insured at the outset of the adjustment as a routine procedure might be considered. While not as binding as an instrument signed by insured, it would probably suffice to establish an understanding which would preclude the idea of waiver.

John L. Piersol, manager of the Elkhart, Ind., office of Western Adjustment since 1956, joined the insurance department of St. Joseph Valley Bank in Elkhart.

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Weather Bulletin Treats Earthquakes, Typhoons And Storms

The Stewart, Smith & Co. quarterly "Weather Research Bulletin" again has a special supplement with the summer issue, a world map of major earthquakes from 1904 to 1955. Shown in an inset map are U. S. west coast earthquakes, 1950 to 1955.

The maps were specially drawn for the bulletin by Prof. Robert C. Kingsbury of Indiana University. The text which accompanies the maps was prepared by Yi-fu Tuan of that university's department of geography. It tells where and how earthquakes occur, describes their magnitude, and discusses the accuracy (or lack of it) of earthquake predictions.

The bulletin itself, edited by Dr. George H. T. Kimble, head of the department of geography of Indiana University, deals with, among other things, the havoc caused by summer thunderstorms, "What Happened To Florida Last Winter," and typhoons of the north Pacific by Prof. Stephen S. Visher.

The circulation of the bulletin has grown enormously during the past year, according to George J. Stewart,

president of Stewart, Smith & Co. However, executives in any branch of the business may still have their names added to the mailing list to receive the bulletin quarterly by writing to Mr. Stewart at 116 John street, New York.

Loss Executives Elect Macclay President

Donald E. Macclay, secretary of Great American, was elected president of Loss Executives Assn. at its annual meeting in Manchester, Vt.

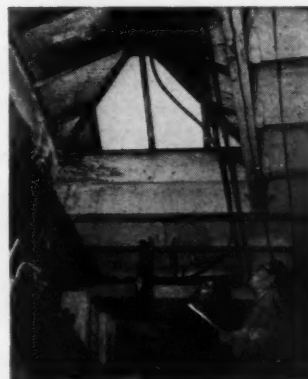
G. Everett Geerken of American was named vice-president, Everett T. Towers of Hanover treasurer, James A. Cooper of Fireman's Fund secretary, and Leslie A. Lloyd of Pacific Fire assistant secretary.

Leonard B. Bogart of Aetna Fire, W. Arthur Quick of Home, and John B. Scheureman of Pearl were named to the executive committee.



Donald E. Macclay

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Convention Dates

Aug. 10-13, West Virginia Assn. of Insurance Agents, annual, Greenbrier hotel, White Sulphur Springs.

Aug. 20-21, Hoosierland Rating Bureau and A.B.C. Service Bureau, annual, Marott hotel, Indianapolis.

Aug. 20-23, Federation of Insurance Counsel, Fairmont hotel, San Francisco.

Aug. 21-23, Louisiana Assn. of Mutual Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

Aug. 21-23, Montana Assn. of Insurance Agents, annual, Northern hotel, Billings, Mont.

Aug. 21-23, Texas Assn. of Mutual Insurance Agents, annual, Hilton hotel, San Antonio.

Aug. 24-28, Section on insurance negligence and compensation law, American Bar Assn., Ambassador hotel, Los Angeles.

Sept. 4-5, Conference of Mutual Casualty Companies, sales and agency conference, Conrad Hilton hotel, Chicago.

Sept. 7-9, Pennsylvania Assn. of Insurance Agents, annual, Bedford Springs, Pa.

Sept. 8, Vermont Assn. of Insurance Agents, annual, The Lodge, Smugglers Notch, Stowe.

Sept. 8-9, New Jersey Assn. of Insurance Agents, annual, Traymore hotel, Atlantic City.

Sept. 14-16, Minnesota Assn. of Insurance Agents, annual, Hotel St. Paul, St. Paul.

Sept. 14-16, Washington Assn. of Insurance Agents, annual, Chinook hotel, Yakima.

Sept. 16-18, Wisconsin Assn. of Insurance Agents, annual, Schroeder hotel, Milwaukee.

Sept. 16-19, Mutual Loss Managers' Conference, annual, Statler hotel, New York City.

Sept. 17-19, Michigan Assn. of Insurance Agents, annual, Pantiind hotel, Grand Rapids.

Sept. 17-19, Oregon Assn. of Insurance Agents, annual, Multnomah hotel, Portland.

Sept. 19-20, Utah Assn. of Insurance Agents, annual, Utah hotel, Salt Lake City.

Sept. 22-24, International Claim Assn., annual, French Lick Springs hotel, French Lick, Ind.

Sept. 22-25, Assn. of Superintendents of Insurance of the Provinces of Canada, annual, Empress hotel, Victoria, B. C.

Oct. 1-3, Society of CPCU annual, Roosevelt hotel, New Orleans.

Oct. 3-5, Conference of Mutual Casualty Companies, annual, Chalfonte-Haddon Hall, Atlantic City.

Oct. 5-8, National Assn. of Mutual Insurance Companies, annual, Chalfonte-Haddon Hall, Atlantic City, N. J.

Oct. 6-7, Conference of Actuaries in Public Practice, Morrison hotel, Chicago.

Oct. 6-8, National Assn. of Insurance Agents, annual, New Orleans.

Oct. 12-15, National Assn. of Casualty & Surety Agents, and National Assn. of Casualty & Surety Executives, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 17-18, New Mexico Insurers, annual, LaFonda hotel, Santa Fe.

Oct. 19-21, Illinois Assn. of Insurance Agents, annual, Morrison hotel, Chicago.

Oct. 19-21, Maryland Assn. of Insurance Agents, annual, Emerson hotel, Baltimore.

Oct. 19-21, Missouri Assn. of Insurance Agents, annual, Coronado hotel, St. Louis.

Oct. 20-21, Arizona Assn. of Insurance Agents, annual, Pioneer hotel, Tucson.

Oct. 20-21, Insurers of Tennessee, annual, Claridge hotel, Memphis.

Oct. 20-22, Western Underwriters Assn., annual, Greenbrier hotel, White Sulphur Springs, W. Va.

Oct. 20-22, National Assn. of Mutual Insurance Agents, annual, Commodore hotel, New York City.

Oct. 22-24, Kansas Assn. of Independent Insurance Agents, annual, Broadview hotel, Wichita.

Oct. 23-25, Colorado Insurers, annual, Broadmoor hotel, Colorado Springs.

Oct. 26-28, Missouri Assn. of Farm Mutual Insurance companies, annual, Governor hotel, Jefferson City.

Oct. 26-28, Ohio Assn. of Insurance Agents, annual, Columbus.

Oct. 27-29, California Assn. of Insurance Agents, annual, Sheraton-Palace hotel, San Francisco.

Oct. 27-29, Health Insurance Assn., individual insurance forum, Drake hotel, Chicago.

Oct. 28-29, Massachusetts Assn. of Insurance Agents, annual, Sheraton Plaza hotel, Boston.

Oct. 28-29, South Carolina Assn. of Insurance Agents, annual, Francis Marion hotel, Charleston.

Nov. 20, Insurance Federation of New York, annual, Waldorf-Astoria, New York City.

Nov. 20-21, Conference of Mutual Casualty Companies, accounting and statistical, office methods, and personnel conferences, Conrad Hilton hotel, Chicago.

Nov. 24-26, National Assn. of Independent Insurers, annual, Hotel Fontainebleau, Miami Beach.

Dec. 10, Eastern Underwriters Assn., annual, Biltmore hotel, New York City.

Dec. 15-19, National Assn. of Insurance Commissioners, midwinter, Roosevelt hotel, New Orleans.

The Kansas City, Kan. office of Western Adjustment has been moved to 1604 Washington boulevard. R. J. Monger is manager.

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DETROIT

Hartford Elects Eight Officers

Hartford group has elected eight officers. Arthur W. Gregory Jr. was elected vice-president and secretary of both companies; Jere J. Flynn, secretary of Hartford Accident; Alan D. Phillips, Robert B. Dwyer, Gordon W. Shand, Philip C. Loomis and Martin W. Davenport, assistant secretaries of both companies, and George C. Munterich, assistant secretary of Hartford Fire.

Mr. Gregory, with Hartford Fire since 1937, has served as assistant vice-president for six years. He formerly was with the Hartford investment firm of Stevenson, Gregory & Co.

Mr. Flynn, assistant secretary since 1946, has been with Hartford Accident since 1925. He is a former member of Hartford board of fire commissioners.

Mr. Phillips joined the group in 1946 after working for some years with the accounting firm of Webster, Blanchard & Willard of Hartford.

Mr. Dwyer has held various positions with the group, which he joined

33 years ago. He formerly was chief accountant at Hartford Accident's Kansas City branch.

Mr. Shand has been a member of Hartford's investment department staff since 1955. He previously held positions with New York investment brokers.

Mr. Loomis, who joined Hartford Fire in 1954, was formerly with the investment department of Northern Trust of Chicago.

Mr. Davenport, with Hartford Fire for four years, has been in the investment field for 18 years.

Mr. Munterich has been assistant secretary of Hartford accident which he joined in 1953. He is a fellow of Casualty Actuarial Society.

H. G. Gaston Retires; Honored For Long Service

Hiatt G. Gaston has retired as treasurer of Alexander & Alexander, Inc. Mr. Gaston joined the firm in 1921 and became its treasurer in 1928.

At a testimonial dinner, Mr. Gaston was presented with a scroll from the firm's board of directors.

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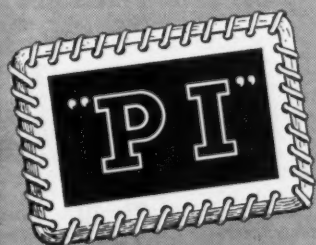
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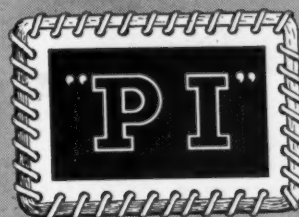


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Business That Never Started Collects U&O Loss

(CONTINUED FROM PAGE 8)

new item for this firm and its only cost figures were the estimates on which it had made its bid. Even material costs were only calculated. Six months of costly set-up and experimentation had finally culminated in an operating production line, when windstorm damage stopped all operations. Mr. Morrison said that no

accountant could possibly state positively what the loss amounted to down to the last dollar. The situation called for extensive education of the insurance company accountant before he could translate the figures for past performance into loss of future earnings. Insured's accountant must understand the impact of the insurance

policy provisions to be most effective in such education. Where he is weak in this regard, insured's adjuster can be of great help.

Still More Complicated Problem

He noted a still more complicated problem in a Missouri case where insured occupied rented premises. When his lease had only one more day to run, the premises were damaged by fire. Insured had already decided not to renew the lease and had rented other quarters. He intended to stay on as a tenant at will until the other premises were ready. It was determined that to rebuild the damaged building would take 10 months. The question was whether insured would collect for six months business interruption or 10 months. The court ruled for 10 months.

It is the interruption of business at the insured location that counts—and not any lease arrangements or other plans, Mr. Morrison explained. Even though there was only one more day to go, the lease was still in effect at the time of the fire. The proceeds of the operation of the new quarters

Wallace Is Manager Of AFIA D. C. Office

American Foreign Insurance Association has appointed J. Berry Wallace manager at Washington, D. C. He has been assistant to the manager there since 1956. Before joining AFIA, he was assistant vice-president of the Washington brokerage firm of Harrell Brothers & Campbell.

Richard B. Higgins, who has been in the New York head office brokerage department of AFIA, which he joined in 1954, is the new assistant manager at Washington. He went there earlier this year.

were taken into consideration insofar as they might have resulted in a reduction of the loss.

Coinurance Potent Factor

With reference to coinurance, Mr. Morrison said that the percentage of cases where gross underinsurance exists—and insured is a heavy co-insurer—is extremely high. By the time the adjuster is called in, there is little



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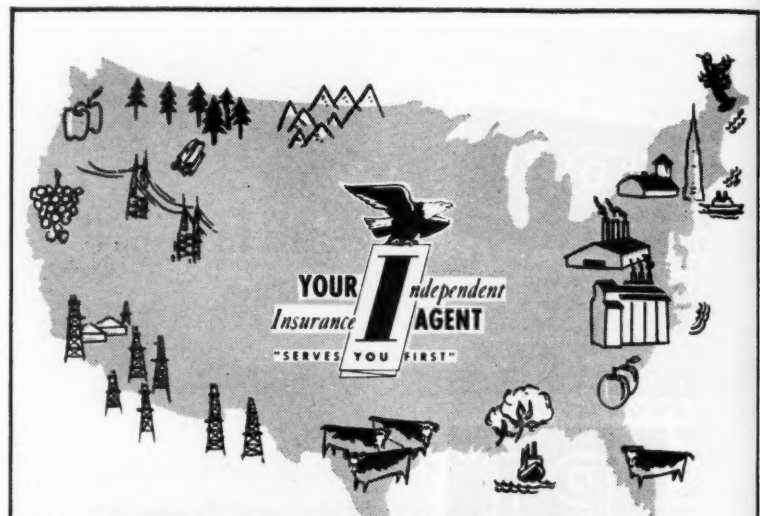
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that can be done. Coinsurance is a potent factor in the ultimate recovery, and deserves the adjuster's careful attention very early in the proceedings. Mr. Morrison said his usual procedure, in representing insured, is to develop the coinsurance figures as soon as possible in the process of loss adjustment because these preliminary figures are a useful guide in approaching many other of the pertinent figures.

He said that with regard to the tax consequences of a business interruption loss recovery two factors are involved: Loss of continuing expenses and the loss of profits. Recovery under the first factor is basically nothing more than a reimbursement for expenses not paid for by usual production—hence it has no serious tax consequences. On the profit factor the usual taxes are payable. It often happens that insured ends up with a net loss for the period due to uninsurable factors and, therefore, is not affected by this profit factor. But it is a point to bear in mind for, if it is material, then something may be done about it during the usual give and take of a loss adjustment, Mr. Morrison concluded.

Canada Firm Marks 100 Years With Royal-Globe

Royal-Globe recently honored Job Brothers & Co. of St. John's, Newfoundland, on 100 years of representation. James Matson, group manager for Canada, presented a plaque to the agency, whose founder was the great-grandfather of P. R. England, chairman of Royal-Globe until recently.

A cocktail party attended by more than 100 leaders of Canadian industry also marked the occasion.

A&H Agents Go On Record As Opposing Forand Bill

International Assn. of A&H Underwriters went on record as opposing the proposed social security amendments with the testimony of its managing director, Bruce Gifford, before the House ways and means committee.

Mr. Gifford said an active, expanding, efficient mechanism in the form of programs offered by insurers and service organizations is presently available and the institution of government sponsored, tax supported mechanism would constitute needless duplication, reduce efficiency and be a waste of money. He added that government administered health programs in other countries have had the effect of reducing standards of care, increasing hospital stays, etc.

Social security was set up and has been maintained as a basic retirement benefit in the form of cash, he added, and if there is need for health insurance it is readily available through voluntary means. The problem of health insurance for the aged is diminishing and the insurance companies, primarily through group coverages but also by extension of individual coverages, are treating the problem. The future costs of the proposed bill are unpredictable, and even now OASI has reached the point of diminishing returns, he declared.

The design of health insurance programs has undergone radical change in just a few years, Mr. Gifford added. Major medical with deductibles and coinsurance is covering the unpredictable health bill. Competition in the insurance business has spurred growth of coverage and liberalization of policy benefits.

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Financed Auto Insurers Having Difficulties, Too

(CONTINUED FROM PAGE 7)

vidual may not be successful in hair-line decisions or disputes," he commented.

The mortgagee can offer a complete finance and insurance package that is immediately available where coverage is bound for John Doe. It has these advantages, he said—there are no extra trips to arrange for a policy, there is no immediate outlay of cash, the premium is in the contract, and is paid for monthly along with the regular payments.

Auto Business Difficult

Underwriting in the automobile insurance business is difficult at the best, he observed. The chief concerns of all underwriters are the physical and mental makeup of the customer and the type and kind of hazard. It takes a maximum of ingenuity, foresight and vigilance to define risks and curb loss frequency with the hazards of today.

Perhaps the most fundamental rules in underwriting are to establish and communicate the underwriting program, and to provide a proper application form to secure complete information.

The age of insured is very important because persons under 25 or over 65 are less desirable risks than those in other age groups, Mr. Richards observed. Although there is no set rule as to occupation, the experience and statistics show that certain classes are poor auto insurance risks. These are, he said, itinerant farm workers, enlisted men in the armed services, employees of bars, bowling alleys and pool halls, waterfront workers, merchant seamen, employees of restaurants, cooks, etc., students in younger age groups, and actors, actresses and others in the entertainment field.

Names Undesirable Risks

Types of vehicles to guard against, he advised, are drive-it-yourself or rented cars, newspaper delivery trucks; and any vehicles being driven on the road for long distances, or in the mountains or other hazardous areas are certainly undesirable because of high exposure.

Other items to consider, he believes, are whether the borrower owns his own home, time he has been in the community, his reputation, position or trade, marital status and losses within three years.

"We should refrain from doing business with dealers who do not require

legitimate down payments on merchandise," Mr. Richards recommended. "We should avoid writing coverage on very old cars."

He sees no excuse for collision misclassification. The unfavorable publicity given misclassification has hurt both finance and insurance industries so badly "it will take 10 years to live it down." If a company publishes a price for a certain case, the purchaser is entitled to the published price, he declared.

What should finance companies do about undesirable risks? Reject them and demand an outside policy, he advised. Find an insurer willing to write substandard business at a surcharged rate. Write a single interest policy, if it is legal to do so in the area, or eliminate comprehensive coverage in hazardous territories.

Should Get Copy Of Policy

If the purchaser or borrower pays the premium, he should get a copy of the policy and it should state: "Notice to purchaser—this insurance is single interest and covers the named insured only. It affords no protection to the purchaser of the automobile described herein."

The purchaser's or borrower's name or his occupation should not be shown, Mr. Richards said. It has been ruled that the mere mentioning of a person's name or occupation makes him a joint insured with the mortgagee. If the policy is for PHD only, it should be so worded. Many states require that if a policy does not cover liability, a statement in bold face, red letters must appear on the face, saying so.

Mr. Richards advocated that losses be adjusted by thoroughly trained and experienced men. He does not believe in adjusting losses as cheaply as possible, but fairly.

He also emphasized the importance of the insurer getting comprehensive and factual statistics on an earned basis.

These suggestions, plus an adequate rate, would make profitable the auto PHD business done in connection with a finance or loan operation.

J. F. Helmus & Co., New York City brokers, has acquired the business of Maillard & Maillard, and of the late George L. Wagner, who was affiliated with the latter firm. It will continue as a branch operation at 135 William street. The main office of Helmus & Co. is at 90 John street.

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Frey Discusses Unusual Risk Aspects

(CONTINUED FROM PAGE 2)

stevedoring firm were blown to bits, the insurer found itself with an earned premium of less than \$20 and the obligation to investigate, defend, and settle \$30 million worth of PDL. The story has a happy ending in that it developed that a judgment proof third party had peddled some surplus and substandard anti-personnel land mines to the same far eastern country, and these had caused the disaster.

Most Frustrating Line

The most frustrating line of insurance to attempt to handle is products liability. Here the unusual risk is more the rule than the exception. It is amazing that conservative companies, to which occurrence property damage cover is even a prohibited subject of conversation, will continue to underwrite the current products policy. "Occurrence" PDL cover is resisted due primarily to the fact that the loss defies definite application of either policy term or limits and never seems to arise from a contemplated exposure. In the products policy the accident covered is clearly defined as the result of the handling or consumption or use rather than the direct result of the causative act of negligence. This is occurrence coverage pure and simple. The present policy would far better be described as a manufacturer's malpractice policy. Look at a few of the heavier losses—\$80,000 worth of baby carriages ruined by a discoloring reaction between synthetic rubber tires and synthetic leather tops, a base coat for nail polish that caused the nails to drop off, a fire extinguishing fluid that put out fires better but ate through the brass containers, the preservative for peanuts that rendered a sizable portion of the annual crop inedible, the lubricant that got into cattle feed and produced a \$10 million loss, 70 small boys severely burned by inflammable cowboy suits. The list is endless, and each case only illustrates that the insurer is not just covering fortuitous accidents but insuring intentional acts or omissions of insured who must respond under law which holds a sale to imply a warranty of fitness for use of the products sold.

Still Frontiers To Explore

The innovations in the past 10 years emphasize that there are still frontiers to be explored and conquered in our business. The challenge of atomic energy seemed overwhelming yesterday—today a reasonable and practical answer from an insurance standpoint is within sight.

A few years back artificial rain-making presented a considerable liability problem. Our courts had cringed at the prospect of balancing damage to vacation resorts against the conservation of drought-ridden lands, let alone giving judicial recognition of the fact that an M.I.T. graduate could perform an act of God. Even the London market turned a cold shoulder to that one. They don't need rain over there anyhow. In this country, painstaking research and common sense came up with a satisfactory market.

Several years ago a beer manufacturer for advertising purposes offered a \$25,000 prize to anyone who could catch, within a limited period of time, a fish which had been specially tagged and dropped in Chesapeake Bay. Next he sought insurance against the successful efforts of the angler. One un-

derwriter considered this an insurable risk. Another underwriter I know obviously is in the wrong business—he kissed his wife good-by and set off for Chesapeake Bay with his fishing tackle and a can of worms. The first underwriter referred the risk to management, who confessed to a certain amount of intrigue in the proposition but at the same time regretted that counsel found it beyond the company's charter. The persistent underwriter pointed out that the life of one rock bass was insurable without amendatory endorsement under the

standard form of livestock policy. The sequel to this story is that our underwriter was underquoted by Lloyds. This unhappy ending nevertheless produces a moral. Don't believe in that old story that the vice-president is the so-and-so who cuts the underwriter's rates. In my opinion the quickest way to lose an order is to refer a risk to the management. Seniority requires a minimum per capita loading of 10% on the original quotation suggested by the original underwriter who had done all the work and submits his conclusion to executive quarterbacking. I speak freely on this subject, because the underwriters in my department load my rates unmercifully.

The consideration of an unusual risk from an underwriting standpoint requires one all-important tool when the original underwriter either lacks the courage or authority to make up his mind. If two, three or four self-elected experts are given the facts, the best underwriting tool I know of for collective use is a hat. Everyone puts a figure on a piece of paper—the hat is shaken, and the boss makes a firm quotation on the basis of the average price. Nobody is embarrassed.

The unusual risk is unusual only because it departs from the average problem that the average company has told the average agent it cannot or will not solve. A risk can be unusual as to either the hazard or the amount



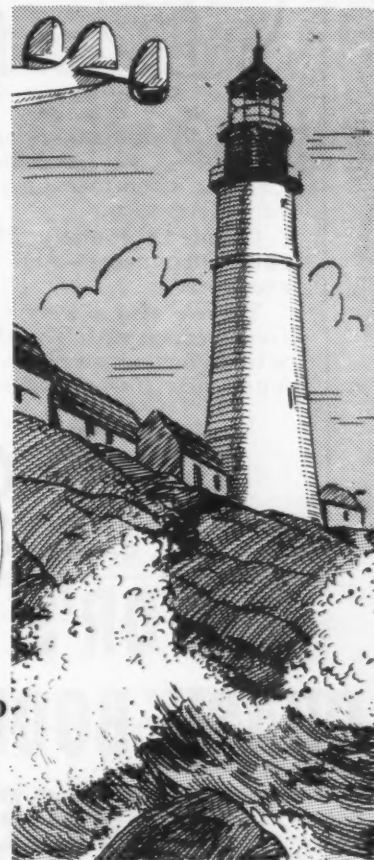
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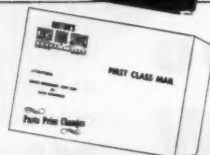
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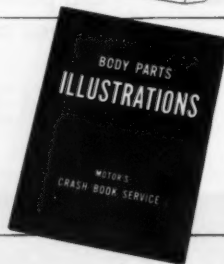
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of insurance involved. There is only one solution to both problems. Spread or divide the amount at risk and a commensurate premium into a sufficient number of parts or layers to the extent that each part or layer presents a common sense prospect of profit in relation to a reasonable assumption of risk, and lo and behold a market has been created.

This oversimplifies the problem, but remember that we have already carried oversimplification of the business of insurance to ridiculous extremes in this country. We first refute the very essence of underwriting by succumbing to laws which prohibit discrimination between risks of a given class. The company then equips itself with one set of tools consisting of a predetermined net retention to apply to all risks of a given class and a reinsurance treaty to provide additional capacity and a predetermined spread of risk. It is no wonder that the unusual risk presents such a problem and that there are so many unusual risks.

What Happens To Risk?

What happens to the risk which fails to meet the normal underwriting requirements of the average insurance company? In the first place it usually requires specific rating, making it difficult and sometimes impossible for the licensed insurer to handle, being circumscribed by mandatory rate filings and rate regulatory controls. Take the 150 passenger tractor-trailer bus which was submitted for reinsurance. The reinsurer was willing to write it, insured was happy with the price quoted, but the insurer was not permitted to deviate from a uniform rate law which prescribed one rate for buses over 50 passenger capacity. Or take the unusual fire risk where there was a valid reason to purchase a stated amount of cover instead of insurance to value. In order to buy such a policy the existing sprinkler system had to be disconnected because the company's rate filing did not apply to sprinklered risks.

Simple Affidavit Needed

It takes only the execution of a simple affidavit to deport a risk to a non-admitted market which is free to underwrite it on the basis of its individual merits. Pick up any trade journal today, and you will find it full of the advertisements of surplus line brokers. These intermediaries and their markets perform an obviously necessary and valuable function. On the other hand, the procedure is subject to considerable abuse, and the fantastic growth of so-called surplus line business has already drawn the spotlight of legislative investigation. A few years ago, in one state, legislation was almost enacted which would have made all third party property damage liability a surplus line. A simple and obvious observation can be made concerning this contentious subject. Unless our business finds the flexibility to satisfy the insurance needs of the public, this problem is going to grow and grow, and foreign insurers will reap a harvest in the untended field of the unusual risk. Put a pair of cynical quotation marks around that word "unusual," and we will find them growing like weeds in the backyard of every producer who recognizes service to the insurance buyer as his primary function.

The individual capacity of even the largest American insurance companies coupled with that of their individual treaty reinsurers is inadequate to satisfy the current demands of heavy



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industry. Although this is a fact, our industry has done a commendable job in attempting to provide capacity for unusual amounts of insurance. In the property insurance field, the traditional pro rata distribution of risk among cooperative and yet competitive insurers provides enormous capacity. In the casualty field, domestic markets of considerable stature have entered the direct excess business and enjoyed a sound and rapid growth. For a while these excess markets functioned admirably in an atmosphere of free competition, but we might as well recognize their tenuous position.

Faced With Impossible Dilemma

On the one hand, with perhaps some justification, direct excess markets are considered unfair competition by primary insurance companies. On the other hand, those who are charged with regulation of the insurance business under state legislation are faced with an impossible dilemma in treating this very necessary and legitimate segment of our business. They must attempt to supervise and control a legitimate business which by its very nature refutes such regulation. One state has deprived its citizens of a competitive domestic market by requiring that the rate charged be publicly revealed by bulletin distribution; another state tried to require adherence to published Lloyds excess casualty contracts; one requires that if there is underlying primary insurance, the excess insurer must reveal its rate to and obtain the written assent of the primary insurer before it can issue its policy. Quite a few states have firmly stated that black is white and attempted to assume control of the rating of excess business which

Sisk-Wakefield Agency Of Tulsa Merges With M.&M.

The Paul Sisk-John Wakefield & Associates agency of Tulsa has merged with the Tulsa office of Marsh & McLennan. The organizations will maintain separate offices temporarily and no change of personnel is contemplated, but later operations will be conducted from one location with a joint staff under the direction of Paul Sisk, J. Richard Johnson and John Wakefield, vice-presidents.

The combined company will continue representation of insurers represented separately in the past, and in addition there will be available the facilities of the world-wide organization of Marsh & McLennan.

Paul Sisk and John Wakefield for many years operated their own agencies in Tulsa which were merged in 1957. Messrs. Sisk and Wakefield are past presidents of Tulsa Agents Assn. and Mr. Sisk is past president of National Assn. of Casualty & Surety Agents.

Mr. Johnson is vice-president of Marsh & McLennan and has been head of the Tulsa office since 1952.

by its very nature defied completely any classification, cataloguing or actuarial premium determination.

The principal market for the unusual risk is undoubtedly with underwriters at London Lloyds—not because they are unsurpassed in underwriting acumen, but simply because their system is completely compatible with the basic theory of spreading risks and thus underwriting insurance. Each syndicate of private capital is free to select the proportion of each risk or the proportion of each layer of each risk it wishes to assume. Rating by classification is an optional conven-

ience rather than a straitjacket. Manuals are guides, not Bibles, and increased limit tables above reasonable levels must be amusing Yankee gadgets.

One other procedure is available for the insuring of the unusual risk. The original insurer can perform in the same manner as our British cousins by spreading a given risk on a tailor-made basis through specific or facultative reinsurance. Whether the problem is unusual hazard or capacity, if the original insurer is able adequately

to perform the peripheral engineering, claims, and other service functions of insurance, there must always be a retention or a participation which it can accept, which with a commensurate premium will make the unusual risk a sound underwriting proposition. The balance of the risk can be eliminated from treaty reinsurance of the company's book of normal business and reinsurance arranged to fit its peculiarities.

This approach has many obvious advantages. Insured and producer ob-

Richmond Adjuster Saves \$200,000 Loss With Airkem Smoke Odor Service



A fire next door to an important men's shop in Richmond, Virginia might have caused a loss of \$200,000. But quick action on the

part of Adjuster P. L. Faison of Siebert Company, Inc. and Airkem Smoke Odor Service saved the insuring companies thousands of dollars.

Mr. Faison arrived on the scene before the blaze was brought under control. Examination revealed no damage to the shop, but the \$200,000 inventory of clothing smelled strongly of smoke. Airkem's Richmond office was called and a few minutes later their Smoke Odor Service representatives were on the job.

Airkem S.O.S. men worked throughout the night. By morning not a trace of smoke odor could be found. However, because of the size of the potential loss, a firm of chemists was called in to make an analysis. They reported no smoke odor present in the merchandise. This effectiveness has been confirmed by other authoritative laboratory tests and the experiences of the insurance industry.

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tain one contract, thus avoiding problems in continuity of coverage and also the additional expense of sub-brokerage both here and abroad. It is not an arm's length transaction with another insurer but rather a specific undertaking for mutual profit with the reinsurance partner. It stands to reason that this approach to the unusual risk must not involve undue exposure to either the company's normal book of business or its treaty reinsurance.

When the amount of insurance required strains capacity, the primary

market, excess markets, the facultative reinsurance market, and the foreign market must often be used to provide a solution.

Capacity problems can have built-in headaches. Preserving continuity of coverage through layers of excess insurance can be difficult when contract terms fail to meet the approval of all the insurers involved. Net lines of participants from direct and reinsurance commitments must be computed and admitted reinsurance added to make certain that no insurer is exposed to loss in excess of 10% of its surplus

to policyholders as required by law.

Then there is the problem of a saturated market. Frustration is the only word to describe the attempted placement of millions of liability insurance on the third stage of an intercontinental ballistic missile when it developed that the manufacturers of the first and second stages had completely exhausted the normal market.

North British has appointed Richard C. Morrall inland marine and multiple peril superintendent of its Pacific department.

Says Losses Reflect Coverage Complexity

George E. Gordon, Boston attorney and president of National Assn. of Public Insurance Adjusters, declared in his talk at the annual convention at Atlantic City that insured today are faced with a multitude of loss problems and need expert assistance.

He referred to the growing complexity of coverage on real and personal property; the various coinsurance and reduced rate clauses; multiple coverage forms, such as package policies and homeowners; sprinkler leakage; U&O, and intricate inland marine forms. The New York standard fire form has as many as 165 lines of provisions, stipulations, exclusions, limitations, deductions, and other features, Mr. Gordon pointed out. When a loss occurs, an intelligent and accurate understanding of the coverage and strict compliance with its provisions is vitally important.

He noted that there were questions on value—cash value, sound value, replacement cost, sales value, insurable value and actual cost value—and said there is an essential distinction in each case. On losses involving all types of merchandise—finished, in process, or raw—there is a wide range of valuation, he added.

The theories of depreciation and its effect on all property values as shown in book accounts, financial statements, income tax reports, property appraisals and market conditions, are vexing problems in loss adjusting Mr. Gordon noted.

Losses on structures—whether partial or total—usually require plans, specifications, estimates, appraisals for determination of the value, loss and damage, he continued. Building and repair costs have reached an all time high. The costs of the average home has increased about 85% since 1947.

He said that U&O losses require a particular skill and practical ability. To cope with this problem one must have at least a working knowledge of accounting, general business practices, economic trends, and a thorough understanding of the seeming intricacies of insurance contracts and their practical application.

Aetna Casualty Grads Told To Survey, Sell

Richard W. Squeri, Aetna Casualty agent at Branford, Conn., spoke on successful selling at the graduation dinner concluding the company's casualty and surety sales course at Hartford. He praised the company's survey plans and said that with their use the agent can expect to uncover at least five instances of gaps in protection or overlapping coverages in typical cases. They are also useful in meeting cut rate competition, he said. He recommended promotion of A&S as one of the agents' biggest lines because the cost is low and people see the policy go to work for them so often.

The class was led by William H. Harrison of Ft. Worth. Other blue ribbon winners were Jerry D. Whitten of Duncan, Okla.; Donald J. Tick of New York City; Harold A. Mouk Jr. of Monroe, La.; William A. LaPointe of Unionville, Conn.; and Walter H. Joyner of Park Forest, Ill. Gold ribbons for soliciting techniques went to E. Merritt McDonough of Hartford; Paul R. Startup of Nashville; Felix Fedor of Cleveland; Baker Wilhelm of Los Angeles, and to Messrs. Harrison, Whitten, LaPointe and Joyner.

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Agents, Companies Present Views At L. A.

(CONTINUED FROM PAGE 4)

cost allowance, 20%; administration 5.5%; inspection and bureau 1%; taxes, licenses and fees 3.3%; underwriting profit and contingencies 5%."

Turning to the direct writing companies, Mr. Deering stated that they have steadily expanded their operations by: (a) savings in cost of operating through reduced acquisition costs and cost saving methods of administration; (b) tight statistical controls over branch office performance; (c) better over-all loss experience through the use of greater number of classifications than those employed by agency companies; (d) underwriting by occupation and other factors of a character that can be more easily applied by direct writers.

"What are the companies doing to meet the direct writer challenge?" he asked. "For one thing, there is a trend toward setting up affiliated companies or changing the basic underwriting procedures of companies to encourage a preferred type of business at a reduced rate reflecting favorable accident experience, lower commissions to agents and economies . . . a development that can be extended . . . by the agency companies."

"Through the greater use of 'life' statistics the way is open for the agency companies to reflect much more rapidly the true loss costs by territory."

Sees Prospects Improving

Summing up the outlook, he said that "prospects for the business are improving. Greater knowledge of the basic problems will . . . help in getting the rate structure under control. Also, there is the central fact that insurance companies cannot continue to absorb losses of the magnitude of those of recent years."

Mr. Glassick, who spoke from a producer's viewpoint, expressed concern for "the present loss ratios and the resulting tight markets."

"All business is in a very competitive area of operation today, and the insurance business is no exception. Agents and companies both should strive to reduce unnecessary operations and expenses to the fullest extent. The trade journals have been carrying articles regarding reduction of acquisition costs and reduction of commissions, and referring to them as though they were synonymous. Producers commissions are only a part of the production cost allowance."

"One of the factors entering into the production cost allowance other than commissions paid to agents is field supervision. This includes the salary

and expenses of the special agent.

"There are some of us," he went on, "who believe that acquisition costs in some lines can be reduced without affecting agents' commissions, provided agents perform those functions that the agency commission contemplates. You can't expect to get paid for something you don't do."

"Companies cannot pay agents to perform agency functions and then perform those functions for the agent for free—this constitutes double payment. Some companies are now beginning to come to this point of view and are going to compensate producers on the basis of functions performed. When agents write the policies, the flat cancellation and rewrite of policies do not exist. Some of us believe that a producer's telephone expenses should be a part of the cost of operating the agency—it should not be passed on to the company."

Referring to the future of the American agency system, he said that "if anyone believes that companies or agents can go their separate ways without regard to the other, they are mistaken. What hurts the companies will hurt their agents. Conversely, what hurts the agents will hurt the companies they represent. Maybe if companies and agents work together a little closer, we would solve some of these perplexing problems."

Corrine Griffith, the former actress, also discussed her favorite subject—abolition of the personal income tax; Fresco Thompson told of the plans of the Los Angeles Dodgers; and rounding out the Insurance Day festivities, Actress Jean Moorhead was crowned "Miss Insurance."

Consolidated Mutual Expanding Operations

Consolidated Mutual of Brooklyn is expanding, according to President Harry Strongin. After opening new, fully staffed offices in East Orange, N. J., Philadelphia, and Stamford, Conn., in the first six months, the company plans to enlarge three of the existing branches in Rochester, Albany and Garden City, N. Y.

The company writes comprehensive general liability, OL&T, M&C, property damage and water damage, workmen's compensation and statutory disability.

Maryland Indemnity & Fire Exchange of Baltimore has purchased the Stewart building at Lombard and Gay streets there. The six story fireproof structure will become the home office of the Exchange.

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Editorial Comment

Insults Sought As Base To Build PR

The primary, in-built assumption on which public relations people function is that the main object is to tell the public what is good about a person, a company, a business or other organization.

National Lumber Manufacturers Assn. has realized that in order to tell the best possible story supported by the truth it must first determine what the public thinks is bad about its business in order to improve those areas. So the association has its representatives circulating with tape recorders to collect "insults" from government officials, legislators, builders, architects, editors, educators, and others. Compliments will also be recorded.

The insurance business wouldn't have to leave its own domain to accumulate a library of insults. Put three uninhibited persons, an agent, a

company man and one commissioner, in a closed room, and they could really make the tape curl. But the point is, nothing truly constructive would be accomplished. If representatives of these three groups traveled with tape recorders and found out what everybody else thinks of them collectively—and that's the way the public does think about them, as a single entity—they could return to their closed room and concentrate on curing the faults they share instead of trying to establish the blame. Exchanging abuse among separate but interdependent factions in the business is as easy as harpooning tripe in a barrel—and about as rewarding.

Maybe the business can learn something from the lumbermen, who apparently realize that even if their best friends will tell them, they will learn more from strangers.—J.N.C.

Should Insurers Go To The Ball Game?

When the U. S. Supreme Court ruled that major league baseball is not a business but a sport, the learned justices must have chuckled heartily up their long black sleeves. The insurance executive who takes a hard look at the way this "sport" is run in comparison to his own enterprise might well differ with the top legal nine.

Many, if not most, of the club owners are industrialists or independently wealthy business men who did not invest millions to get a free season ticket to the park. They bought in to merchandise baseball and they adapt to shifting market conditions. Note the removal of the New York and Brooklyn teams to California when the financial oranges looked juicier there. The rabid and loyal fans back east were rewarded with two empty ball parks and television screens bereft of the images of their local idols.

Consider the systematic operation of a major league club. The owner hires a general manager, a field manager, scouts, coaches and trainers. They have a single goal: Win the pennant and the world series, which, translated into basic English, means: Let's get the maximum dollar return on our investment. This is the driving inspiration for all from the front office down to the bat boy who is cut in on a series share.

The team has a regular scouting system to get the best talent from sandlots, schools and colleges. Prospects are signed to binding contracts so that competitors can't tempt them. They are assigned to a minor league team in the well organized farm system and they graduate on the sole basis of performance to the parent club.

There, in spring training, they are grounded in every fundamental of big league play. The manager, coaches, and even veteran players work tirelessly with them and finally the cream rises to the first team. Every position

has a real big leaguer backing up the regular starter.

They learn the signals and know every development in a game as intimately as the manager, for communication is constant and three-way, from dugout to coaches to field and back. Player performance is measured from the first at bat and the first ball fielded, and summarized in averages which are published. Salaries are reviewed in the light of these cold figures and adjusted on that basis plus attitudes and cooperation as true team players.

From first to last the drive is toward efficiency through getting the best talent, tying it up, training it, rewarding it, communicating management's ideas and striving together toward a common goal.

Baseball may be a sport, as the court said, but the insurance executive who examines these methods and then looks at his own may have cause to wonder who is really in business and who is playing games.—J.N.C.

Personals

Charles L. Martin Jr., director of Kentucky State and Tornado Insurance Fund, recently collapsed at his home in Lawrenceburg. Although he has improved, the nature of his illness has not yet been ascertained.

R. H. Gore, chairman of the Chicago agency bearing his name and chairman of Institutional Ins. Co., received an honorary doctorate of law from Notre Dame University at the June commencement.

Eleanor Klein of National Council on Compensation Insurance is marking her 30th year with the organization. She is in charge of the printing department. She joined the council as a

proofreader in 1928 and assumed her present position in 1944.

V. J. Skutt, president of Mutual Benefit H.&A., has been appointed to the President's Council on Youth Fitness by Secretary of the Interior Fred A. Seaton.

Deaths

ELMER K. RUPP, 87, pioneer insurance correspondent of Los Angeles and a long-time reporter for THE NATIONAL UNDERWRITER, died suddenly of complications from a perforated ulcer at Wadsworth Memorial hospital of the U. S. Veterans Facility in West Los Angeles. He had been ill but a short time.

Mr. Rupp was born in Reedsville, Pa. He started his newspaper career as an apprentice printer, later holding jobs as reporter, city editor and night managing editor of the Altoona Times. He subsequently became editor of Johnston Democrat; Sunday editor and drama critic of Pittsburgh Press; assistant editor of the Insurance World; first editor of the Insurance Journal at Los Angeles, and copywriter for the old Los Angeles Express.

He was a captain in the 18th regiment and sought the capture of Villa with Pershing. He served overseas during World War I.

FREDERICK H. STRICKLAND, 72, retired vice-president of New Amsterdam, died in a Baltimore rest home. Before joining the company in 1914 he was with U.S.F.&G. He was the first president of Casualty & Surety Club of Baltimore.

RAYMOND A. O'BRIEN, a director of O'Brien & O'Brien, New York agency, died. He and his brother, Francis M. O'Brien, founded the agency in 1909.

WILLIAM M. JONAS, 63, former owner of Green Bros. & Hanson, Inc., Milwaukee agency, died. He joined the firm 45 years ago and became its owner in 1946. He sold the business when he retired in 1956.

FAY KEYS, 82, who retired five years ago after operating the Foster insurance agency in Boswell, Ind., for a number of years, died.

MRS. GERTRUIDA BRAUN, 70, president of the Otto A. Braun agency in Milwaukee, died after a long illness.

HORACE A. ZOELLER, 58, who had been a partner in the Zoeller & Spear agency at Saginaw, Mich., for 20 years, died there.

THEODORE G. ROCKWELL JR., 71, who retired 10 years ago as a partner in the Moore, Case, Lyman & Hubbard agency, Chicago, died in Delray Beach, Fla. Mr. Rockwell went with Moore, Case in 1916.

LEIGH C. FELTON, 62, Kentucky special agent for Grain Dealers Mutual for the past 25 years, died suddenly at Bowling Green. Mr. Felton joined Grain Dealers at Indianapolis in 1927 and went to Louisville in 1932 as manager of Mutual Fire Insurance Agency, a general agency, and held that post until the business was acquired by Grain Dealers in 1952. Since then he has served as special agent for the state.

The NATIONAL UNDERWRITER



The National
Weekly Newspaper of
Fire and Casualty Insurance

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NEW YORK 38, N. Y.—17 John St., Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

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ST. LOUIS 2, MO.—221 Pierce Bldg., Tel. Chestnut 1-1634. Geo. E. Wohlgenuth, Resident Manager.

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CHANGE OF ADDRESS

Be sure to enclose mailing wrapper with new address. Allow three weeks for completion of the change. Send to subscription office, 420 E. Fourth St., Cincinnati 2, Ohio.

ALBERT S. FRIEDL, 51, Wisconsin state agent for London & Lancashire, died at a Milwaukee hospital. He had represented the company for more than 30 years.

Stocks

By H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago July 15, 1958

	Bid	Asked
Aetna Casualty	135	139
Aetna Fire	64½	66
Aetna Life	185	190
Agricultural	28	29
American Equitable	34	35
American (N. J.)	24	25
American Motorists	11¼	12¼
American Surety	15¼	16¼
Boston	30	31
Camden Fire	29	30
Continental Casualty	85	86½
Crum & Forster com.	57	59
Federal	42	43
Fireman's Fund	50	51½
General Reinsurance	55	57
Glens Falls	30	31
Globe & Republic	18½	19½
Great American Fire	35½	36½
Hartford Fire	154	158
Hanover Fire	37	38
Home (N. Y.)	42½	43½
Ins. Co. of No. America	106½	108½
Maryland Casualty	36½	37½
Mass. Bonding	35½	37
National Fire	78	80
National Union	36¼	37¼
New Amsterdam Cas.	43½	45
New Hampshire	39	41
North River	34	35
Ohio Casualty	21½	22½
Phoenix Conn.	64	65½
Prov. Wash.	17½	18½
Reinsurance Corp. of N.Y.	14½	15½
Reliance	42	43½
St. Paul F. & M.	47½	49
Springfield F. & M.	30	31
Standard Accident	46	47½
Travelers	79½	81
U.S.F.&G.	63	65
U. S. Fire	26	27

Statewide Adjustment Expands

Statewide Adjustment of Cleveland, after four months of operation, has opened four more offices in Ohio. The company now services 88 Ohio counties with 33 claim service centers. The new service was inaugurated last March with 29 offices. It operates on a per call basis.

NACCA May Sue On Jury Award Efforts

National Assn. of Compensation Claimants Attorneys may bring suit to challenge the right of companies to invest in educational efforts on the cost of high damage verdicts, it was indicated at the annual meeting of the Connecticut chapter. NACCA contends such efforts are propaganda aimed at prejudicing jurors against BI claimants. Suit may be started by the organization alone or jointly with policyholders.

Bond Claims On Ala. Officials To Be Paid

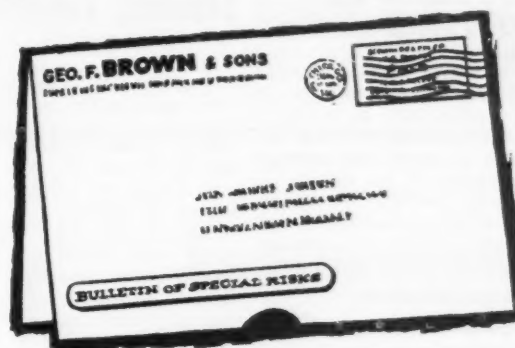
Receivers for Lawyers Fire & Casualty of Montgomery, Ala., which failed in 1956 have indicated that National Surety, U.S.F.&G. and American Guarantee have agreed to pay a total of \$10,000 in dereliction of duty claims on bonds covering John Brandon, state treasurer, Frank Barefield, assistant state treasurer and L. W. Gwaltney Jr., former insurance superintendent.

They allegedly allowed the defunct company's president to exchange \$40,000 in government bonds for worthless county bonds about a month before the company went into receivership. The officials contended that there was no reason to believe that the county bonds, now in default, had no value when exchanged. Alabama companies must keep \$100,000 in securities approved by the superintendent on deposit with the state treasurer.

Hartford Fire Registered In Philippines Via AFIA

Hartford Fire has been registered in the Philippines to transact fire, marine and casualty business through American Foreign Insurance Assn. It is one of seven companies operating in the Philippines. They are Aetna Fire, American, Continental, Fireman's Fund, Great American and Home.

AFIA has been operating in the islands since 1919 in all branches of non-life insurance. Operations of Hartford Fire are under the supervision of Victor H. Bello, supervisor of AFIA's Manila control branch and the Philippines territory.



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(CONTINUED FROM PAGE 1)

of a dozen or more years of experience knows that when an agency begins to go down hill, or when it approaches the time when it has to go out of business or merge with another agency, the cause of its decline is nearly always the fact that the agency head became an office man and ceased to be primarily a salesman, a contact man, a prospector for new business.

Law Of Averages Important

Every successful salesman knows that getting rests on the law of averages. That is, the salesman who makes the largest number of calls day in and day out will get a satisfactory amount of business. He will even stumble into some business that he did not know it was possible to get. On the other hand, the salesman, no matter what his product may be, who begins to reduce the number of calls he makes each day, each week and each month gradually begins to get less and less business. This is basic and irrefutable.

Property insurance is something that every sound business man has to have. It is not a question of his being able to get along without it or not caring whether he has it; he must buy it to protect his business against every possible contingency. It thus becomes only a question of from whom he is going to purchase it. It follows naturally that he will buy it from the agent he knows, from the man who calls upon him; from the one who discusses face to face the various forms of protection he needs and why; in other words, from the one with whom he is actively involved regarding his insurance problems.

Need Proper Mental Attitude

The agent who stays in his office, too much involved in the flow of office work and all that it entails, is not in the proper mental attitude even when he gets out on the street for a

Storms, Twisters Once Again Hit Billings

(CONTINUED FROM PAGE 2)

automobile loss was not particularly heavy except for some sizable losses when struck by trees, limbs or other debris. House trailers were upset and heavily struck by hail. Crop damage was extensive, estimated at perhaps another \$1 million.

GAB, which had opened a storm office for catastrophe number 94, reported that departmental executives were in charge of 76 adjusters and 56 clerical employees when the second storm on July 2 struck. The office, at 3741 Montana avenue, Billings, is being operated with two-eight hour shifts of clerical staffs and the staff is currently being augmented with senior adjusters to process the anticipated assignments.

Additional claims from the new storm will as often as possible be

limited time in order to call on insured or prospects. He is worrying about what the people in the office are doing and how they are doing it. His mind is not freed of the functions of his office. As a consequence his calls and his presentations are not carefully conceived and expertly made. He is not the whole souled 100% salesman because the problems of his office prevent him from being one.

He has to have an office, of course, and it has to function properly. But for continuing, insured success the farsighted local agent must decide that everything about the writing and recording of business must be handled by an office manager or supervisor or chief clerk or whatever, but not by himself because if he is to be a successful salesman (and that is what every local agent is expected to be), his thinking and planning and, most of all, his time must be devoted well over 90% to selling, and to sales planning and preparation.

handled by the adjuster who processed the claims of the previous storm. In a great number of cases, repairs had not been completed from the first storm, so it is expected interior damage losses of both building and contents will be well above normal. In addition, GAB anticipates interior losses under broad form coverage in which wind-driven rains will be a factor.

Check 9,000 Claims

At the time of catastrophe number 96, the Bureau had closed 4,000 assignments of a total of 9,830 involved in the first catastrophe on June 7 and an additional 5,000 had been inspected or were in the process of adjustment. GAB will now find it necessary to check the damage allowed on the closed files where additional loss is claimed.

Also the same process will be necessary where claims have been inspected and not closed. The task will be to see that damage from the first storm is not in any way duplicated or improperly segregated. This also applies to uninspected losses from the previous storm.

Three Inches Of Rain

In addition to the Billings storm, two days later on July 4 a severe hail storm and approximately three inches of rainfall struck Los Animas, Colo. Heavy damage occurred on properties in the town, with composition roofs in many instances a total loss and wood shingle roofs badly damaged. Mercantile building flat roofs were seriously affected and numerous neon signs broken throughout the town.

There was considerable interior damage, but fortunately, there was very little wind, which kept broken glass to a minimum. Few automobiles were involved in the 45-minute storm. GAB points out, however, that the intensity of the storm is shown by the fact that loss to insurance will be a high average, notwithstanding very little broad replacement coverage is written."

IAAHU's Program For 1958-59 Has 8 Points

(CONTINUED FROM PAGE 2)

members fight government invasion of the A&S business.

Public relations program: The 1958 public relations program will aim to gear in with the work of Health Insurance Institute and Health Insurance Council.

Well-balanced coverages: The IAAHU executive board approves the issuance of policies with broader coverages. Progress is being made in furnishing good coverage to nearly all citizens regardless of age. A great industry advance is the announcement made by many companies that fraud in the inception of the policy or fraud in the claim constituted the only justification for non-renewal.

Plan Opinion Survey

Pulse panel: The fourth point is entirely new. It provides for creation of a "pulse panel." The chairman of this committee will periodically secure the opinion of a 50-man panel of field sales executives on such subjects as selection and recruiting career men, field and office training, field and office supervision, field and home office underwriting, and cause of lapses. A study will also be made of markets and coverages.

Educational program: The DITC courses will be offered by more associations this year under the leadership of W. Harold Petersen, American United, Indianapolis, new DITC managing director. Continuous improvement of teaching material will be made along with efforts to furnish the best teachers available.

Program development: A survey will be made to determine the type of meeting most helpful to the salesman. A typical outline for each meeting of the year will be suggested.

Increased membership: Committees are working to increase membership, with President-elect Oakley Baskin, United Benefit Life, Buffalo, as general chairman. Details will be forthcoming in the fall.

New model constitution: The past presidents' advisory committee will draft a new model constitution and by-laws for state and local associations to be presented at the international council meeting at the French Lick convention.

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Debate Propriety of Contingent Fees Use

(CONTINUED FROM PAGE 1)

and restrictive rules will prevent the growth and maintenance of a bar equipped adequately to represent plaintiffs.

Opposing the current contingency fee concept, Pat H. Eager of Jackson, Miss., pointed out that with a few minor exceptions, the U. S. among all civilized countries, "is the only one which places the seal of legality upon a lawyer's contingent fee." It is accepted as legal in all states, but is not subject to statutory regulation in any state. He referred to the case of Gair vs. Peck in which Mr. Gair and four other New York lawyers are attacking the validity of rule 4 of the appellate division of the New York supreme court. The rule attempts to regulate contingent fees. The state's high court now has the case.

Contingent Fee Here To Stay

Recognizing that the contingent fee is here to stay, Mr. Eager said proper conditions and safeguards should be established for the protection of claimants. He urged that a solution by legislation, court rule or bar regulation is necessary.

James S. Baker of Northwestern University traffic institute, and T. Benjamin Weston, Baltimore attorney, demonstrated that, even though stories of witnesses to an automobile accident may differ tremendously when they are called upon to testify, expert analysis of physical evidence can provide a reconstruction of the facts of an accident that is extremely accurate.

Mr. Baker stressed the importance of prompt observation and recording of physical facts. Mr. Weston stated that without these facts it is impossible for the attorney to lay a proper foundation for getting the expert's opinion before the jury. He said such scientific methods have long been common in criminal law, but their use

in negligence law is recent.

Both forums were arranged by a committee of which Thomas M. Phillips, Houston, was chairman, and Wyatt Jacobs, Chicago, vice-chairman.

Samuel P. Sears, Boston attorney, said that action of juries in tort actions is based on "sympathy for the injured, on prejudice against insurers—on the idea that insurers are bursting with money, and their liking for paying out somebody else's money. The public dislike for insurance companies," he said, "is founded on misunderstanding of the rights and obligations of the companies under their policies." Similar public prejudice exists against defense lawyers. This is a public relations problem, which must be solved by the insurers as well as by defense attorneys, he advised.

Retiring President Forrest A. Betts, Los Angeles, called on attorneys to combat the growing tendency of appellate courts to encroach upon legislative prerogatives by changing rather than interpreting the law.

New members of the executive committee are Taylor Cox of Knoxville, Walter Schell of Los Angeles, and David Tressler of Chicago. William E. Knepper of Columbus, O., was re-appointed editor of Insurance Counsel Journal, and Miss Blanche Dahinden of Milwaukee was reappointed as executive secretary.

Minnesota CPCU Names Jamieson New President

Minnesota CPCU chapter at its recent election named John H. S. Jamieson, Anchor Casualty, St. Paul, as president. Other officers named were: Joseph J. Joyce, American Hardware Mutual, vice-president; Robert E. Armstrong, State Farm Mutual, St. Paul, secretary, and Richard Franzen, Wirt Wilson & Co., Minneapolis, treasurer.

Elected to the board were: Eino Krapu, Northern States agency, St. Paul; Clarence Pederson, Northwestern Mortgage Co., Minneapolis; Kenneth Hough, Anchor Casualty; Donald Kruger, Mutual Service Casualty, St. Paul, and Frank Howard of the Minneapolis agency bearing his name.

Accountants Plan Meet

Assn. of Casualty Accountants & Statisticians will hold its fall meeting in the Hotel Statler, New York City, Sept. 12. Discussions on taxation and the use of electronics are on the agenda.



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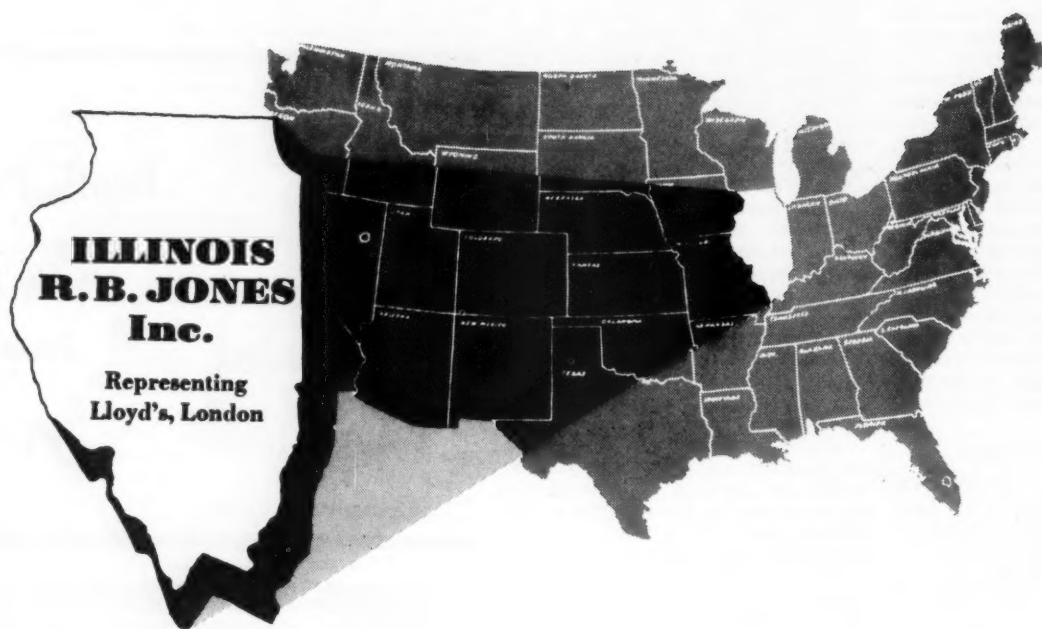
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